Supreme Court, U.S.
FILED

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No.

IN THE

Supreme Court of the United States

JEAN ALEXANDER COSMETICS, INC.,

Petitioner,

v.

L'OREAL USA, INC;
REDKIN 5TH AVENUE, N.Y.C.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Court of Appeals erred when it held that a party may be collaterally estopped on an issue that the party had neither lost nor had the burden of proving in a prior litigation?

2. Whether the Court of Appeals erred when it ruled that a party may be collaterally estopped by dicta contained in a prior opinion?

3. Whether the Court of Appeals was correct in holding that a party may be collaterally estopped in a trademark infringement case by an earlier determination in a trademark cancellation proceeding when there is a great public interest in a market place free of confusion present in the infringement litigation?

4. Whether the Court of Appeals erred when it held that a prevailing party in litigation before the Trademark Trial and Appeal Board may appeal the Board's decision to the Federal Courts in order to excise portions Board's opinion that it finds unsatisfactory?

STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

Petitioner Jean Alexander Cosmetics, Inc. is a privately owned entity. It has no parent corporation and there is no publicly held company that owns 10% or more of its stock.

A LIST OF ALL PARTIES TO THE PROCEEDING IN THE COURT WHOSE JUDGMENT IS SOUGHT TO BE REVIEWED

Jean Alexender Cosmetics, Inc.
L'Oreal USA Inc.
Redken 5th Avenue

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OPINIONS BELOW

The ruling of the United States Court of Appeals for the Third Circuit dated October 19, 2006 denying Jean Alexander Cosmetics, Inc. petition for rehearing with a suggestion of rehearing in banc is reproduced at Appendix 1a.

The ruling of the United States Court of Appeals for the Third Circuit dated August 14, 2006 affirming the decision of the District Court is officially reported at 458 F.3d 244 and is reproduced at Appendix 3a.

The decision and order of the United States District Court for the Western District of Pennsylvania dismissing the plaintiff's complaint dated August 22, 2005 is reported at 2005 U.S. Dist. LEXIS 42930 and is reproduced at Appendix 34a.

The decision of the Trademark Trial and Appeal Board dismissing Jean Alexander Cosmetics, Inc.'s Opposition Proceeding dated August 9, 2004 is reproduced at Appendix 45a.

The decision of the Trademark Trial and Appeal Board denying L'Oreal USA, Inc.'s predecessor in interest, Cosmair, Inc.'s Petition to Cancel Jean Alexander Cosmetics, Inc.'s mark dated June 28, 2001 is reported at 2001 WL 1457589 and is reproduced at Appendix 60a.

JURISDICTION

The order of the United States Court of Appeals for the Third Circuit sought to be reviewed was entered on August 14, 2006, rehearing and rehearing in banc was denied on October 19, 2006. This petition is timely under 28 U.S.C. §2101 and Supreme Court Rule 13.3 because it is being filed within 90 days of the entry of the order denying rehearing and rehearing in banc. This court has jurisdiction to review the order of the United States Court of Appeals for the Third Circuit pursuant to 28 U.S.C. § 1254.

STATEMENT OF THE CASE

On June 30, 2004, Petitioner, Jean Alexander Cosmetics, Inc. ("Jean Alexander") filed a civil complaint sounding in trademark infringement and unfair competition against the defendants, L'Oreal, USA, Inc. and Redken, N.Y.C. LLC ("L'Oreal") in the United States District Court for the Western District of Pennsylvania. Original jurisdiction was invoked in the federal court under 15 U.S.C. § 1121 and 28 U.S.C. § 1338. The complaint alleged that L'Oreal's mark was confusingly similar to Jean Alexander's mark, that Jean Alexander's mark enjoyed priority and that the two marks were used on identical products and in identical channels of trade (namely shampoos and conditioners sold to the general public at hair salons). The two marks are reproduced below.

Jean Alexander's mark:

L'Oreal's mark:

On August 30, 2004, L'Oreal filed a motion to dismiss Jean Alexander's complaint under FRCP 12(b)(6) arguing that Jean Alexander was collaterally estopped from asserting a likelihood of confusion based on an opinion rendered by the Trademark Trial and Appeal Board in a prior cancellation proceeding between the parties. The trial court agreed and dismissed Jean Alexander's complaint and the Court of Appeals for the Third Circuit affirmed the trial court's decision holding that Jean Alexander was collaterally estopped from asserting a likelihood of confusion.

In 1996, L'Oreal's predecessor in interest attempted to register the mark "Shades EQ and design" with the Patent

and Trademark Office.[1] L'Oreal's application to register the mark was rejected by the Patent and Trademark Office because the examining attorney determined that L'Oreal's mark was likely to be confused with Jean Alexander's previously registered mark "EQ System and design." (Appendix 60a-62a)

After the Patent and Trademark Office rejected L'Oreal's application, L'Oreal filed a petition to cancel Jean Alexander's mark with the Trademark Trial and Appeal Board ("TTAB"). L'Oreal, in the cancellation proceeding, alleged and was required to prove: 1) that it had priority in the mark; and 2) that the two marks were likely to be confused. L'Oreal alleged that it had begun using its mark in 1988. Jean Alexander's date of first use of its mark was 1990. L'Oreal therefore asserted that it had priority. (Appendix 63a-69a)

L'Oreal, in fact, had two forms of its mark. It had begun using the first form of the mark in 1988 and the second form of the mark in 1992. The TTAB, in its November 9, 2001 opinion, held that L'Oreal's two marks were not "legal equivalents" and L'Oreal was not permitted to "tack" the date of first use of the second mark (the mark which L'Oreal

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[1] The mark "Shades EQ and design" was originally used by a company called Redken, which was later acquired by a company called Cosmair which was later acquired by L'Oreal and finally L'Oreal USA, Inc. Petitioner will refer to the owner of the mark "Shades EQ and design" as L'Oreal throughout.

had asserted against Jean Alexander) onto the date of first use of the first. The TTAB held:

> We conclude that petitioner [L'Oreal] has established priority for its original mark only. The modernized mark is not the same mark, and because its use postdates respondent's use, petitioner has not established priority of the modernized mark. (Appendix page 67a)

After holding that L'Oreal lacked priority in its second mark and, therefore, could not be successful in canceling Jean Alexander's registration, the TTAB went on to issue an advisory opinion concerning the likelihood of confusion between L'Oreal's original and modernized marks and Jean Alexander's mark. The TTAB stated:

> In this case, the first factor that we consider is whether the marks are similar. We will not only consider whether petitioner's [L'Oreal's] original mark is confusingly similar to respondent's [Jean Alexander's] mark, but, solely for the sake of completeness, we will also consider whether the modernized version of the petitioner's mark is confusingly similar to respondent's mark. We do this in case upon further review, it is determined that petitioner's original and modernized marks are legal equivalents. (Appendix, page 67a)

The TTAB, in its advisory opinion, then went on to state that it did not believe that there was a likelihood of confusion be

tween Jean Alexander's mark and L'Oreal's second mark. (Appendix, page 74a-75a)

The Decisions Below

The District Court and the Court of Appeals both held that Jean Alexander was collaterally estopped from asserting a likelihood of confusion between its mark and L'Oreal's second mark because of the TTAB's analysis and conclusions regarding the likelihood of confusion in the TTAB's November 9, 2001 opinion.

The Court of Appeals for the Third Circuit, in holding that Jean Alexander could be collaterally estopped based on the TTAB's advisory opinion stated: "[T]he TTAB believed that likelihood of confusion was an important issue in the case and, in fact, intended its determination that there was no likelihood of confusion to be controlling **if its holding on priority were overturned on appeal.**" (Emphasis added, Court of Appeals opinion, Appendix, page 16a) The Court of Appeals held that this dicta or advisory opinion was "necessary" to the TTAB's ultimate decision and should be given preclusive effect in later litigation.

The Court of Appeals also held that Jean Alexander, as the prevailing party before the TTAB, was entitled to appeal that decision to the Federal Courts if it was dissatisfied for any reason with the language of the TTAB's opinion. (Court of Appeals opinion, Appendix, page 28a)

Finally, the Court of Appeals held that Jean Alexander could be collaterally estopped from litigating an issue by a prior decision, even though Jean Alexander did not bear the

burden of proof on that issue in the prior litigation and did not lose that issue in the prior litigation. The Court of Appeals held that Jean Alexander could be collaterally estopped from asserting a likelihood of confusion in the infringement action because its opponent in prior litigation, the cancellation proceeding, lost the issue of likelihood of confusion. (Court of Appeals opinion, Appendix page 29a)

REASONS FOR GRANTING THE PETITION

This case presents important issues surrounding the application of collateral estoppel or issue preclusion. The Court of Appeals decision and opinion represents an extraordinary departure from the doctrine as it has been enunciated and applied by the Supreme Court and the other Circuits and undermines the Supreme Court's carefully crafted jurisprudence in ~~this area~~ of law.

Question 1

The Court of Appeals expands the doctrine of collateral estoppel or issue preclusion in a manner inconsistent with the doctrine itself. This new expression of the doctrine completely undermines this Court's careful jurisprudence concerning this doctrine and creates uncertainty and unpredictability in the law.

Ordinarily, in order for a party to be collaterally estopped from litigating an issue, that party must have litigated and lost that issue in prior litigation. In the instant case, it was Jean Alexander's opponent, L'Oreal, who bore the burden of proof, litigated and lost the issue of likelihood of confusion before the TTAB in a cancellation proceeding. The District

Court and the Court of Appeals then held that, in the later infringement proceeding where Jean Alexander bore the burden of proving a likelihood of confusion, it was precluded from so proving as a result of the prior TTAB decision. The Court of Appeals stated:

> We also reject Jean Alexander's alternative arguments. First, it has claimed that it lacked a full and fair opportunity to litigate likelihood of confusion because it did not bear the burden of proof on this issue in the cancellation proceeding. We reject this argument out of hand. There is no legal authority for the proposition that a party without a burden of proof does not have the opportunity to litigate an issue. (Court of Appeals opinion, footnote 5, Appendix page 29a)

This holding is completely contrary to all existing Supreme Court precedent and, if allowed to stand, will completely distort the doctrine of collateral estoppel. [2]

L'Oreal, in order to cancel Jean Alexander's trademark registration, was required to prove two things before the TTAB. First, it had to prove that it had priority in its mark, that it had used the mark first. Second, it had to prove that

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[2] See also Restatement (Second) Judgments §28 Exceptions to the General Rule of Issue Preclusion, subsection (4) provides: "The party against whom preclusion is sought had a significantly heavier burden of persuasion with respect to the issue in the initial action than in the subsequent action; **the burden has shifted to his adversary**..." (emphasis added)

there was a likelihood of confusion between the two marks. L'Oreal lost both issues. Jean Alexander did not lose any issues in the cancellation proceeding.

The United States Supreme Court in Parklane Hosiery Co. v. Shore, 439 U.S. 322, 99 S.Ct. 645, 58 L.Ed.2d 552 (1979), in passing upon the propriety of the offensive use of collateral estoppel, outlined the elements of both offensive and defensive collateral estoppel. The Supreme Court stated:

> The *Blonder-Tongue* case involved defensive use of collateral estoppel - a plaintiff was estopped from asserting a claim that the plaintiff had previously litigated and lost against another defendant. The present case, by contrast, involves offensive use of collateral estoppel - a plaintiff is seeking to estop a defendant from relitigating the issues which the defendant previously litigated and lost against another plaintiff. In both the offensive and defensive use situations, the party against whom estoppel is asserted has litigated and lost in an earlier action. Parklane, 439 U.S. at 329, 99 S.Ct. at 650, 58 L.Ed. at 561.

In each and every case decided by the Supreme Court, the party against whom collateral estoppel is invoked had litigated and lost the issue sought to be precluded in the prior litigation. There are no cases in Supreme Court jurisprudence where collateral estoppel is held to preclude a party from litigating an issue that its *opponent* in prior litigation lost. Yet that is the holding of the Court of Appeals in the instant case.

The Supreme Court in Montana v. United States, 440 U.S. 147, 153-55; 99 S.Ct. 970 at 973-975; 59 L.ed.2d 210 at 216-218 (1979) summarized the requirements of collateral estoppel as (1) identity of an issue in a prior proceeding, (2) the identical issue was actually litigated, (3) determination of the issue was necessary to the judgment in the prior proceeding, and (4) the party defending against preclusion had a full and fair opportunity to litigate the issue in the prior proceeding.

The requirement that the party against whom collateral estoppel is asserted to have borne a burden of proof on the issue and to have lost that issue goes to whether that party had a full and fair opportunity to litigate the issue in question. The consequences of losing an issue in litigation are that it brings that litigant one step closer to losing his entire cause. Unless a finding of fact on an issue is adverse to a party in a specific litigation, that party has no compelling reason to forcefully assert that issue.

Jean Alexander, the respondent in the cancellation proceeding, would have had no possible motivation in the cancellation proceeding to contend or prove that there was a likelihood of confusion between its mark and L'Oreal's mark. To put on proof in support of that position would have been, in effect to cut its own throat. No party in litigation will vigorously assert a position that is adverse to its interests in that litigation. Likewise, no party in litigation would vigorously assert a position in litigation that does not in some way advance its interests in that litigation. Hence the Supreme Court's consistent requirement has been that, in order to be subject to issue preclusion, the litigant **must have liti-**

gated and lost the issue in a previous litigation. Jean Alexander did not lose the issue of likelihood of confusion in the prior proceeding, L'Oreal lost the issue.

In a cancellation proceeding before the TTAB, the petitioner must prove priority of use and a likelihood of confusion between the two trademarks at issue. In an infringement proceeding the plaintiff must prove priority of use and likelihood of confusion between the two trademarks at issue. Thus the difficulty created by the Court of Appeals' decision in the instant case could arise in virtually each and every cancellation or infringement proceeding. This would result in manifest unfairness to the parties. It would also encourage parties, when faced with a cancellation or infringement proceeding, to immediately file the counterpart action. Moreover, the Court of Appeals' holding would encourage infringers to file cancellation proceedings, do a poor job proving likelihood of confusion and lose the issue Before the TTAB. The true owner of the trademark then, under the Court of Appeals' rationale would then be precluded from pursuing an infringement action.

The consequences of the Court of Appeals' holding in the instant case will also impact other subjects of litigation. To hold that a party can be precluded by a prior decision on an issue that the party neither litigated nor lost in prior litigation casts the entire doctrine into question. Litigants and courts will be faced with uncertainty as to when an issue previously decided, may be given preclusive effect and against what parties. Entities of long standing, such as corporations and government agencies, with extensive histories of litigation, will potentially be harmed in present cases by "issues" de-

cided against their opponents in previous cases. It creates a condition where the courts will be deciding issues of fact as against the whole world as opposed to deciding them against the parties within the context of particular litigation. Under the Court of Appeals analysis, in an opinion that it has labeled "precedential," collateral estoppel has been cast adrift from its former, firm procedural moorings. The Court of Appeals holding in this case is contrary to all prior United States Supreme Court precedent.

Question 2

The Court of Appeals expands the doctrine of collateral estoppel or issue preclusion by including dicta from prior decisions as a basis for collateral estoppel. Including prior dicta in among the basis upon which a party may be precluded from advancing an argument will cast the application of issue preclusion into uncertainty. It will force litigants to appeal decisions of trial courts based on the litigants' dissatisfaction with superfluous language contained in trial court opinions. Litigants will flood the Courts with prophylactic appeals seeking to strike any language in court opinions that they deem might later be held against them.

The Court of Appeals in the instant case has fundamentally distorted the third prong of the collateral estoppel test enunciated in Montana, the "necessary to the judgment" prong. This distortion undermines this Court's carefully crafted jurisprudence of the doctrine of collateral estoppel. Unless this decision is reversed, the doctrine of collateral estoppel or issue preclusion will become meaningless.

The Court of Appeals first makes it clear in its opinion that it was **not** necessary for the TTAB to address the issue of likelihood of confusion after the TTAB had determined that Jean Alexander's mark had priority. In footnote 3, the Court of Appeals stated:

> Had the Board concluded that the original and modernized Shades EQ marks were legal equivalents, it could have tacked the date of first use of the original version onto the modernized version. This would have given the modernized version priority over the EQ System mark and forced the Board to address whether there was a likelihood of confusion between the EQ System mark and the modernized Shades EQ mark. (Court of Appeals opinion, footnote 3, Appendix page 14a)

As it was, the TTAB determined that L'Oreal's original and modernized marks were not legal equivalents, that L'Oreal could not "tack" the date of first use of the second mark to the first and as a result, there was no need for the TTAB to conduct any analysis whatsoever respecting the likelihood of confusion between Jean Alexander's mark and L'Oreal's second mark.

It is also clear from the TTAB's opinion that it was undertaking to make findings on likelihood of confusion between EQ System and Shades EQ (modernized version) "just in case" its holding on priority were overturned on appeal. The TTAB stated:

> We will not only consider whether petitioner's [L'Oreal's] original mark is confusingly similar to respondent's [Jean Alexander's] mark, but, solely for the sake of completeness, we will also consider whether the modernized version of the petitioner's mark is confusingly similar to respondent's mark. **We do this in case upon further review**, it is determined that petitioner's original and modernized marks are legal equivalents. (Emphasis added, Appendix, page 67a)

The Court of Appeals also recognized that the TTAB's discussion concerning the likelihood of confusion between the two marks was dicta or an advisory opinion. The Court of Appeals stated:

> Having resolved the question of priority, the TTAB examined likelihood of confusion. Because L'Oreal's original Shades EQ mark had priority over Jean Alexander's EQ System mark, it was necessary for the Board to determine whether there was a likelihood of confusion between these two marks. However, **"solely for the sake of completeness,"** the TTAB also considered the likelihood of confusion between the EQ System mark and the modernized Shades EQ Mark. The TTAB did this **"in case upon further review, it is determined that [L'Oreal's] original and modernized marks are legal equivalents,"** a finding that would give the modernized version priority over the EQ System mark. (Emphasis added, Court of Appeals opinion, Appendix, page 7a"[T]he TTAB

> believed that likelihood of confusion was an important issue in the case and, in fact, intended its determination that there was no likelihood of confusion to be controlling **if its holding on priority were overturned on appeal.**" (Emphasis added. Court of Appeals opinion, Appendix, page 16a)

No appeal of the TTAB's determination of priority was ever taken by L'Oreal.[3]

The Court of Appeals, then embarked on an analysis of whether the TTAB carefully considered the issue of likelihood of confusion, and concluded that the TTAB did. After the panel determined that the TTAB did engage in careful consideration of that issue, the Court of Appeals undertook an analysis of whether such a finding was "necessary to the decision" and so be given preclusive effect in later litigation.

The Court of Appeals began framing their holding by stating:

> L'Oreal argues that collateral estoppel applies here because both priority of use and likelihood of confusion figured prominently in the cancellation proceedings and both issues were potentially

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[3] L'Oreal as the losing party might have been expected to take an appeal to protect its asserted interest in its trademark, but did not. L'Oreal then argued in the instant infringement action that Jean Alexander should have appealed the TTAB's decision, even though it prevailed, in order to excise the dicta. The Court of Appeals agreed and held that Jean Alexander, as the prevailing party, should have appealed the TTAB's decision to the Federal Courts.

> dispositive of the case. L'Oreal urges us to adopt a rule under which preclusive effect is given to a finding that is an alternative ground for a judgment where that finding, standing alone, would have been sufficient to support the judgment. **Though an alternative finding may not be strictly necessary to the judgment in the sense that there was another stated basis for the decision, L'Oreal contends that giving such a finding preclusive effect would not compromise the objectives behind the necessity principal.** (Emphasis added. Court of Appeals opinion, Appendix, page 14a-15a)

The Court of Appeals went on to state "[t]he requirement that a preclusive finding must have been necessary to the judgment is rooted in principals of fairness....[b]ecause litigants are likely to view an issue that is necessary to the resolution of a case as important and to litigate it vigorously, it is fair to give such a determination preclusive effect." (Court of Appeals opinion, Appendix, page 15a-16a)

The Court of Appeals then observed that "[t]here is no question that likelihood of confusion was a central issue in the cancellation proceedings...[t]hus L'Oreal is correct that the finding on likelihood of confusion constituted an alternative ground on which the Board dismissed its petition to cancel" (Court of Appeals opinion, Appendix, page 16a)

The language of the TTAB's opinion in the cancellation proceeding makes it clear that the TTAB was making a determination on likelihood of confusion "just in case" its de-

termination on priority was overturned on appeal. The Court of Appeals recognized that the TTAB only intended its determination of no likelihood of confusion to be binding if its ruling on priority was overturned on appeal. Despite this, the Court of Appeals held that such dicta was "necessary" to the TTAB's judgment.

The Court of Appeals directs the litigants and the courts to glean from the dicta in prior opinions whether an issue was "carefully considered" by the court in the prior litigation. Carefully considered dicta may then be deemed to be "necessary" to the judgment and serve as an "alternate" ground for the judgment and be the basis for collateral estoppel.

It is well settled that dicta is neither binding on courts nor litigants. Humphrey's Executor v. United States, 295 U.S. 602; 55 S.Ct. 869; 79 L.Ed 1611 (1935); Church of the Lukumi Babalu Aye, Inc. v. City of Hialeah, 508 U.S. 520; 113 S.Ct. 2217; 124 L.Ed.2d 472 (1993); Central Green Co. v. United States, 531 U.S. 425; 121 S.Ct. 1005; 148 L.Ed.2d 919 (2001). Nevertheless, the Court of Appeals for the Third Circuit, in what it has labeled a "precedential opinion," now holds that dicta may serve as the basis for collateral estoppel.

In light of this precedential opinion, the prudent litigant must now take an appeal from any court opinion that contains language that may in some way harm them later on, regardless whether the litigant won or lost.[4] The doctrine of issue preclusion will be clouded with uncertainty. Neither litigants nor the courts will have a clear understanding what

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[4] Jean Alexander prevailed in the first case.

could be the basis for collateral estoppel. The doctrine will be reduced to ad hoc application based on whether a subsequent court considers whether the prior tribunal "carefully considered" the matter that it addressed in dicta.

This new test is unworkable and would cast the court's jurisprudence surrounding collateral estoppel into uncertainty. Courts routinely discuss a great many issues in opinions and yet, clearly base their determination on only one of them (such as in the instant case). If such discussions are to be considered "alternate grounds" for a decision and may be used preclusively in other, later court actions, parties would be forced to appeal all manner of statements made by opinion writers, whether or not those statements had any bearing on the actual outcome of the cause.

The holding in the instant case is also in conflict with the holdings of other circuits, most notably the Federal Circuit, in the area of patents and trademarks. The Federal Circuit is clear that in order for a holding from prior litigation to be preclusive, that prior holding must have been "necessary" to the judgment of the court.

In Hill-Rom Company, Inc. v. Kinetic Concepts, Inc., 209 F.3d 1337 (Fed Cir. 2000), the district court held that certain hospital beds manufactured by KCI did not infringe patents held by Hill-Rom. KCI cross appealed the district court's judgment relating to the validity of Hill-Rom's patent. The appeals court held:

> Moreover, the district court's resolution of the issue of invalidity was not necessary to the judg-

> ment. For that reason the court's invalidity ruling will have no collateral estoppel effect in any possible future dispute between the parties involving the '346 patent. See *Parklane Hosiery Corp. v. Shore*, 439 U.S. 322, 326 n.5, 58 L.Ed.2d 552, 99 S.Ct. 645 (1979) (for collateral estoppel to apply, first court's resolution of issue in question must have been "necessary to the outcome of the first action") *In re Freeman*, 30 F.3d 1459, 165-67, 31 U.S.P.Q.2d (BNA) 1444, 1448-49 (Fed. Cir 1996) (same); *Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 1571, 221 U.S.P.Q. (BNA) 394, 398 (Fed. Cir. 1983) (same) Restatement (Second) Judgments §27 cmt. h, illus. 14 (1982). Hill-Rom 209 F.3d 1337 at 1344

Supreme Court intervention is necessary in this case in order to rectify the erroneous holding contained in the Third Circuit Court of Appeals "precedential opinion" and to square the Third Circuit's interpretation of the "necessary" prong of the Montana test with the other circuits.

Question 3

The Court of Appeals held that Jean Alexander was precluded from asserting a likelihood of confusion between its mark, EQ System and L'Oreal's mark Shades EQ in a trademark infringement proceeding. The Third Circuit Court of Appeals has departed from the long held principal that collateral estoppel or issue preclusion will not apply where application of the doctrine would harm a public interest. In the context of an infringement proceeding, there is a great

public interest in a marketplace free of confusion. The two marks reproduced above are strikingly similar. They are used on the exact same products (shampoo, conditioner, hair color) and sold in the exact same channels of commerce to the exact same consumers (sold to the general public through beauty salons). (Appendix, page 69a-70a

L'Oreal failed to prove likelihood of confusion before the TTAB because it did a poor job litigating and proving the issue. Jean Alexander was not given the opportunity to prove the issue and if it had it would have shown that there was a likelihood of confusion between the marks. The general public and the marketplace will now be caused to suffer the effects of confusion between products and their source of origin because of the application of issue preclusion in the instant case.

Avoidance of confusion should always be a major concern of a court in a trademark case. The purpose and objective of the Lanham Act is the protection of the trademark and protection of the public. Wal-mart Stores, Inc. V. Samara Brothers, Inc. 529 U.S. 205; 120 S.Ct. 1339; 146 L.Ed.2d 182 (2000), Inwood Labs v. Ives Labs, 456 U.S. 844; 102 s.Ct. 2182; 72 L.Ed.2d 606 (1982) The Restatement (second) Judgments §28(5) provides a specific exception to the general rule of collateral estoppel where there exists a "potential adverse impact of the determination on the public interest."

In the instant case, there is exactly that sort of public interest in a market place free of confusion. The marks are extremely similar, the goods are exactly the same and they are

in the exact same stream of commerce.[5] Collateral estoppel should not apply in this case.

Question 4

The Court of Appeals held that Jean Alexander, as the prevailing party before the TTAB, could have appealed the favorable decision of the TTAB to the Federal Courts in order to excise the TTAB's dicta respecting likelihood of confusion, if it were dissatisfied with that language. This holding is a dramatic departure from well established Supreme Court precedent. Unless this departure is corrected, the careful practitioner will be required to appeal any opinion that contains language or dicta that it believes could potentially be harmful in any future litigation. Ordinarily a party cannot be collaterally estopped on a previously decided issue when that party could not have appealed from the decision.

A successful party has no right to appeal from a decree in its favor. Lindheimer et al. v. Illinois Bell Telephone Co., 292 U.S. 151; 54 S.Ct. 658; 78 L.Ed. 1182 (1934) In Lindheimer plaintiffs appealed the district court's grant of a decree enjoining the Illinois Commerce Commission from enforcing a reduction of the rates of the Telephone Company for interstate service in the City of Chicago. The State of Illinois and the City of Chicago appealed. Despite the fact that it had prevailed below, the Illinois Bell Telephone Co.

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[5] In fact, the Patent and Trademark Office, upon L'Oreal's attempt to register its second mark, refused to permit registration because the examining attorney believed that there would be confusion in the market place if registration were permitted.

cross-appealed certain findings of the court below respecting the value of Company property as well as certain other findings. The Supreme Court held that a successful party has no right of appeal from a decree in its favor. Id. 292 U.S. at 176; 54 S.Ct. at 668; 78 L.Ed. at 1197.

The United States Supreme Court in Partmar Corporation et al. v. Paramount Pictures Theaters Corp. et al., 347 U.S. 89; 74 S.Ct. 414; 98 L.Ed. 532 (1954) held that findings such as the TTAB's findings respecting likelihood of confusion in the instant case, do not form the basis for the application of estoppel.

> It is only when a finding of law or fact is not necessary for a decree that the prevailing party may not appeal and the finding does not form the basis for collateral estoppel. This is shown by the case cited to support the statement as to appeal in Lindheimer v. Illinois Bell Telephone Co., 292 U.S. 151, 176, See New York Telephone v. Maltbie, 291 U.S. 645, and cases cited. Electrical Fittings Corp. v. Thomas & Betts Co., 307 U.S. 241 stated the practice negatively. "A party may not appeal ... findings ... not necessary to support the decree." Professor Scott, note 3 *supra,* at 12, concurs in this view. Restatement, Judgments, § 68 reads: "(1) Where a question of fact essential to the judgment is actually litigated and determined by a valid and final judgment, the determination is conclusive between the parties in a subsequent action on a different cause of action, except as stated in §§ 69, 71 and 72." Section 69 (2) ["Where a party

> to a judgment cannot obtain the decision of an appellate court because the matter determined against him is immaterial or moot, the judgment is not conclusive against him in a subsequent action on a different cause of action."]

Note 6, Partmar Corporation et al. v. Paramount Pictures Theaters Corp. et al., 347 U.S. 89 at 100. (Same as in original). As has been demonstrated above, the TTAB's remarks respecting likelihood of confusion were not necessary for its finding against L'Oreal in the cancellation proceeding. Because those remarks did not form the basis for the dismissal of L'Oreal's Petition to Cancel Jean Alexander's registration (only the determination of priority did), Jean Alexander had no right of appeal from that decision.

Because the remarks of the TTAB in the cancellation proceeding respecting the likelihood of confusion were an advisory opinion and/or dicta and because Jean Alexander had no right of appeal from the TTAB's decision in the cancellation proceeding, those remarks are not binding on any court or on Jean Alexander. Because the TTAB's remarks respecting likelihood of confusion are not entitled to any weight whatsoever, they cannot be a basis for collateral estoppel in the instant matter.

The Court of Appeals perfunctorily states that "Appeal may be permitted from an adverse ruling collateral to the judgment on the merits at the behest of the party who has prevailed on the merits, so long as that party retains a stake in the appeal satisfying the requirements of Article III. (Appendix at 28a citing Deposit Guar. Nat'l Bank v. Roper, 445

US 326, 334 (1980). The Court of Appeals offered no explanation how an appeal by Jean Alexander from the TTAB decision would have satisfied the requirements of Article III.[6]

The case cited by the Panel, Elec. Fitting Corp. v. Thomas & Betts, 307 U.S. 241 (1939) permitted a successful party to appeal to strike language contained in ***a decree*** (as opposed to a holding in an opinion) in a patent case. The Supreme Court stated:

> "This was a suit in equity by the respondents for alleged infringement of a patent. The District Court held claim 1 valid but not infringed and claim 2 invalid. Instead of dismissing the bill

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[6] In fact, an appeal by Jean Alexander of the TTAB's opinion would not have satisfied Article III. In order to appeal to the Federal Courts, Jean Alexander would have had to allege some harm from the TTAB's decision. Jean Alexander would have had to allege that L'Oreal might take the TTAB's opinion back to the examining attorney at Patent and Trademark Office. Jean Alexander would have had to allege that the examining attorney might reverse his earlier determination that there would be a likelihood of confusion if L'Oreal were permitted to register its mark. Further, Jean Alexander, would have had to allege that when it filed an Opposition proceeding an/or an infringement action, that it would be collaterally estopped based on the TTAB's dicta. Such allegations would have been regarded by the Federal Courts as entirely speculative.

> without more, it entered a decree adjudging claim 1 valid but dismissing the bill for failure to prove infringement. ... A party may not appeal from a judgment or decree in his favor, for the purpose of obtaining a review of findings he deems erroneous which are not necessary to support the decree. But here the decree itself purports to adjudge the validity of claim 1, and though the adjudication was immaterial to the disposition of the cause, it stands as an adjudication of one of the issues litigated. We think the petitioners were entitled to have this portion of the decree eliminated." Elect. Fittings Corp. 307 U.S. at 241-242.

The other case cited by the panel, Deposit Guar. Nat'l Bank v. Roper, 445 U.S. 326; 100 S.Ct. 1166; 63 L.ed.2d 1127, permitted class representatives to appeal denial of class certification on behalf of unnamed class members. There is no case in United States Supreme Court or Court of Appeals jurisprudence that permits a successful party to appeal **dicta or precatory language in an opinion.** For this reason, the Panel's holding is contrary to all previous United States Supreme Court jurisprudence.

CONLCUSION

Petitioner respectfully requests that this Petition for a Writ of Certiorari be granted, that the decision of the Court of Appeals for the Third Circuit be vacated and that the case be remanded to the District Court for trial on the merits.

Respectfully submitted

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APPENDIX

APPENDIX A – SUR PETITION FOR REHEARING WITH SUGGESTION FOR REHEARING EN BANC, DATED OCTOBER 19, 2006

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 05-4321

JEAN ALEXANDER COSMETICS, INC.,
Appellant

v.

L'OREAL USA, INC.;
REDKIN 5TH AVENUE, N.Y.C.

Appeal from the United States District Court
for the Western District of Pennsylvania
(D.C. Civil No. 04-cv-00975)
District Judge: Honorable Terrance F. McVerry

Present: SCIRICA, Chief Judge, SLOVITER, McKEE, RENDELL, AMBRO, FUENTES, SMITH, FISHER, VAN ANTWERPEN, and CHAGARES, Circuit Judges, and ACKERMAN, District Judge

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SUR PETITION FOR REHEARING
WITH SUGGESTION FOR REHEARING IN BANC

The petition for rehearing filed by petitioners having been submitted to all judges who participated in the decision of this court, and to all the other available circuit judges in active service, and a majority of the judges who concurred in the decision not having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court in banc, the petition for rehearing is hereby DENIED.

BY THE COURT:

/s/ Marjorie O. Rendell

Circuit Judge

Dated: October 19, 2006

CMD/cc: James Cirilano, Esq.
Jennifer M. Haven, Esq.
Robert L. Sherman, Esq.

* The vote of the Honorable Harold A. Ackerman, Senior Judge of the United States District Court for the District of New Jersey, who sat by designation, is limited to panel hearing only.

APPENDIX B - OPINION OF THE COURT, FILED AUGUST 14, 2006

PRECEDENTIAL

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 05-4321

JEAN ALEXANDER COSMETICS, INC.,
Appellant

v.

L'OREAL USA, INC.;
REDKIN 5TH AVENUE, N.Y.C.

Appeal from the United States District Court
for the Western District of Pennsylvania
(D.C. Civil No. 04-cv-00975)
District Judge: Honorable Terrence F. McVerry

Argued June 12, 2006
Before: RENDELL and VAN ANTWERPEN, Circuit Judges.
and ACKERMAN*
(Filed August 14, 2006)

James Cirilano **[ARGUED]**
Jennifer M. Haven
Cirilano & Associates
722 Broadway Avenue
McKees Rocks, PA 15136
Counsel for Appellant

Robert L. Sherman **[ARGUED]**
Paul, Hastings, Janofsky & Walker
75 East 55th Street
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Counsel for Appellees

OPINION OF THE COURT

RENDELL, Circuit Judge.

* Honorable Harold A. Ackerman, Senior District Judge for the District of New Jersey, sitting by designation.

In proceedings before the Trademark Trial and Appeal Board ("TTAB" of "Board"), the predecessor in interest of L'Oreal USA, Inc., ("L'Oreal") argued that a registered trademark used by Jean Alexander Cosmetics, Inc. ("Jean Alexander") was likely to be confused with two of its marks and that the registration should therefore be cancelled. The TTAB denied the petition to cancel, holding, among other things, that there was no likelihood of confusion as between the marks. In the instant action for trademark infringement, Jean Alexander seeks to revisit the Board's finding with respect to likelihood of confusion.

The District Court held that Jean Alexander was precluded from relitigating the TTAB's determination that there was no likelihood of confusion, and we agree. The issue was actually litigated and previously decided in the cancellation proceedings. Although the TTAB's conclusion on likelihood of confusion was not its only basis for denying the cancellation petition, it was one of two independently sufficient grounds on which the Board resolved the case. Under these circumstances, we will apply the doctrine of issue preclusion and affirm the District Court's dismissal of Jean Alexander's complaint.

I.

Sometime in 1988, L'Oreal's predecessor in interest began using the mark "Shades EQ" and associated design for cer-

tain hair care products.[1] In 1990, Jean Alexander began using its "EQ System" mark and design and, in 1993, it registered this mark with the Patent and Trademark Office ("PTO"). In 1996, L'Oreal attempted to register a modernized version of its Shades EQ mark that it had begun using in 1992. The examiner at the PTO rejected the application for registration of the modernized Shades EQ mark because it was likely to be confused with Jean Alexander's EQ System mark. All three marks are reproduced as an appendix to this opinion.

After the PTO rejected L'Oreal's application to register its mark, L'Oreal filed a petition to cancel Jean Alexander's registration for the EQ System mark. L'Oreal alleged that it had used its original Shades EQ mark prior to Jean Alexander's use of the EQ System mark and that, if there was a likelihood of confusion between the two marks, Jean Alexander's registration should be cancelled. In addition, L'Oreal alleged that the original and modernized versions of its Shades EQ mark were "legal equivalents" and that it could therefore tack the date of first use of the original version of the mark onto the modernized version, giving the modernized version priority over Jean Alexander's EQ System mark as well.

In its answer to L'Oreal's petition to cancel, Jean Alexander denied that L'Oreal's marks had priority over its trademark or that there was a likelihood of confusion between its

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[1] For the sake of convenience, we will refer to L'Oreal's predecessor in interest simply as L'Oreal.

EQ System mark and L'Oreal's Shades EQ marks. It also raised the latter claim as an affirmative defense.

During more than four years of proceedings, the parties created an extensive record that included depositions and trial testimony of several of the parties' executives. On June 28, 2001, the TTAB dismissed L'Oreal's petition to cancel the registration of Jean Alexander's EQ System trademark. The TTAB held that the original Shades EQ mark had priority over the EQ System mark, but found that the modernized Shades EQ mark was not a legal equivalent of the original version. Consequently, L'Oreal could not establish the priority of its modernized Shades EQ mark over Jean Alexander's EQ System mark.

Having resolved the question of priority, the TTAB examined likelihood of confusion. Because L'Oreal's original Shades EQ mark had priority over Jean Alexander's EQ System mark, it was necessary for the Board to determine whether there was a likelihood of confusion between these two marks. However, "solely for the sake of completeness," the TTAB also considered the likelihood of confusion between the EQ System mark and the modernized Shade EQ mark. The TTAB did this "in case upon further review, it is determined that [L'Oreal's] original and modernized marks are legal equivalents," a finding that would give the modernized version priority over the EQ System mark. (App. 79a)

The Board concluded that there was no likelihood of confusion between Jean Alexander's mark and either the original or modernized versions of L'Oreal's mark. In addition to

noting the basic differences between the marks, the TTAB relied on (1) testimony from L'Oreal's assistant vice president for marketing to the effect that there was "some possibility of confusion," but not a likelihood, (2) testimony from L'Oreal's former senior vice president of marketing and advertising that there was no likelihood that the modernized Shades EQ mark would be confused with the EQ System mark, (3) testimony from Jean Alexander's chief executive officer that the public was not likely to be confused by the marks, and (4) the fact that neither party offered evidence of any instances of actual confusion. Taken as a whole, this evidence convinced the Board that there was no likelihood of confusion.

Instead of appealing the TTAB's decision in the cancellation action, L'Oreal reasserted its request with the PTO to register its modernized Shades EQ trademark. Relying on the TTAB's finding that there was no likelihood of confusion between the modernized Shades EQ mark and the EQ System mark, the PTO withdrew its refusal to register L'Oreal mark. The modernized Shades EQ mark was approved for publication in the *Official Gazette* on October 10, 2002, which entitled third parties to oppose its registration. *See* 15 U.S.C. § 1063.

Jean Alexander timely filed a notice of opposition to the registration of the modernized Shades EQ mark, arguing that it would likely be confused with the EQ System mark. The TTAB held that the likelihood of confusion between the two marks had been fully and decisively litigated in the cancellation proceedings. It noted that

> The Board made detailed and specific findings in its determination of both priority and likelihood of confusion, and the determination of no likelihood of confusion in the market place was necessary to the final judgment. This is not a case where the Board made incidental determinations on an issue which was not before it. The issue of likelihood of confusion was the focus of the parties' pleadings and was fully litigated before the Board.

(App. 63a.) Because Jean Alexander was precluded from relitigating likelihood of confusion, the TTAB granted summary judgment in favor of L'Oreal.

Thereafter, Jean Alexander filed a complaint against L'Oreal in the District Court alleging trademark infringement of its EQ System mark and specifically averring likelihood of confusion. The District Court dismissed the complaint, holding that the doctrine of issue preclusion, also known as collateral estoppel, prevented Jean Alexander from relitigating likelihood of confusion and foreclosed its claim for trademark infringement. Jean Alexander timely appealed. The District Court had subjected matter jurisdiction under 28 U.S.C. § 1338 and we have appellate jurisdiction under 28 U.S.C. § 1291.

II.

Before turning to the merits, we must first determine the proper standard of review. We note that "different panels of our Court have applied different standards of review where collateral estoppel is in issue." *Nat'l R.R. Passenger Corp.*

v. Pennsylvania Pub. Util. Comm'n, 288 F.3d 519, 524-25 (3d Cir. 2002); *See also Witkowski v. Welch,* 173 F.3d 192, 198 n.7 (3d Cir. 1999). In some cases we have reviewed the application or nonapplication of issue preclusion for abuse of discretion, while in others we have applied plenary review. *Compare Raytech Corp. v. White,* 54 F.3d 187, 190 (3d Cir. 1995) (reviewing district court's decision to apply collateral estoppel for abuse of discretion), *Temple University v. White,* 941 F.2d 201, 212 n.16 (3d Cir. 1991) (same), *and McLendon v. Continental Can Co.,* 908 F.2d 1171, 1177 (3d Cir. 1990) (same), *with Szehinskyj v. Att'y Gen. of the United States,* 432 F.3d 253, 255 (3d Cir. 2005) (applying plenary review to application of issue preclusion), *Dici v. Commonwealth of Pennsylvania,* 91 F.3d 542, 547 (3d Cir. 1996) (same), *and Arab African Int'l Bank v. Epstein,* 958 F.2d 532, 534 (3d Cir. 1992) (same). We have not offered a clear rationale for adopting one standard of review over another.

These cases can be reconciled. The general rule is that we exercise plenary review over the application of issue preclusion. *See Szehinskyj*, 432 F.3d at 255 (applying plenary review to application of *mutual* offensive collateral estoppel); *Delaware River Port Authority v. Fraternal Order of Police,* 290 F.3d 567, 572 (3d Cir. 2002) (exercising plenary review over decision of whether to apply defensive collateral estoppel); *Greenleafe v. Garlock, Inc.,* 174 F.3d 352, 357 (3d Cir. 1999) (same); *Dici,* 91 F.3d at 547 (same); *Arab African Int'l Bank,* 958 F.2d at 534 (same). The only cases in which we have reviewed for abuse of discretion are those in which a nonparty to a previous proceeding has asserted issue preclu-

sion against a defendant, that is, in cases involving "non-mutual offensive collateral estoppel." *See Smith v. Holtz*, 210 F.3d 186, 199 n.18 (3rd Cir. 2000) (reviewing use of non-mutual offensive collateral estoppel under an abuse of discretion standard); *Raytech Corp.*, 54 F.3d at 190 (same); *Temple University*, 941 F.2d at 212 & n.16 (same); *McLendon*, 908 F.2d at 1177 (same).[2]

Applying different standards of review in these different settings makes sense. The predominant question in preclusion cases involving defensive or mutual collateral estoppel is whether the basic requirements for issue preclusion are satisfied. *See Nat'l R.R. Passenger Corp.*, 288 F.3d at 525 (noting that the equitable exceptions to issue preclusion depend on mutuality of estoppel and whether estoppel is being asserted offensively or defensively). This matter of law over which we exercise plenary review. *See Szehinskyj*, 432 F.3d at 255 ("Application of collateral estoppel is a question of law. . . ."); *Resolution Trust Corp. v. Keating*, 186 F.3d 1110, 1114 (9th Cir. 1999) ("Whether collateral estoppel. . . is available to a litigant is a question of law that we review *de novo*."); *Sandberg v. Virginia Bankshares, Inc.*, 979 F.2d 332, 344 (4th Cir. 1993) (reviewing the satisfaction of the

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[2] There are also instances in which we have specifically declined to declined to decide the proper standard of review and simply applied plenary review because the result would have been the same under either abuse of discretion review or the more exacting plenary standard. *See Nat'l R.R. Passenger Corp.*, 288 F.3d at 524-25; *Witkowski*, 173 F.3d at 198 n.7.

basic requirements for issue preclusion de novo); *United States v. Sandoz Pharms. Corp.*, 894 F.2d 825, 826 (6th Cir. 1990) (same): *Balbirer v. Austin*, 790 F.2d 1524, 1526 (11th Cir. 1986))("[T] his court exercises plenary review over the rules governing collateral estoppel.").

By contrast, the application of non-mutual offensive collateral estoppel presents a unique potential for unfairness because a defendant may have had little incentive to defend the first action vigorously, "particularly if future suits [were] not foreseeable," the judgment relied upon may have been inconsistent with one or more previous judgments in favor of the defendant, or the second action may "afford [ ] the defendant procedural opportunities unavailable in the first action that could readily cause a different result." *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 330-31 (1979). Moreover, the use of non-mutual offensive collateral estoppel "does not promote judicial economy in the same manner as defensive use does" because it creates an incentive for plaintiffs "to adopt a 'wait and see' attitude, in the hope that the first action by another plaintiff will result in a favorable judgment." *Id.* at 329-30. To address these problems, the Supreme court concluded that trial courts should have broad discretion to determine when to apply non-mutual offensive collateral estoppel. *Id.* at 331. Thus, it is undoubtedly appropriate to review for abuse of discretion in such cases.

The instant case involves a defensive assertion of collateral estoppel by a party to the original TTAB proceeding. Accordingly, we will exercise plenary review over the District Court's decision to apply issue preclusion.

III.

The Second Restatement of Judgments articulates the general rule of issue preclusion as follows: "When an issue of fact or law is actually litigated and determined by valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim." Restatement (Second) of Judgment § 27 (1982). "We have consistently applied this general rule," *Nat'l R.R. Passenger Corp.*, 288 F.3d at 525, though our decisions have employed the slight variations on the basic requirements embodied in the Restatement. *Compare id., with Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209 (3d Cir. 2001), *and Seborowski v. Pittsburgh Press Co.*, 188 F.3d 163, 169 (3d Cir. 1999).

We have identified four standard requirements for the application of collateral estoppel in our case law: "'(1) the identical issue was previously adjudicated; (2) the issue was actually litigated; (3) the previous determination was necessary to the decision; and (4) the party being precluded from relitigating the issue was fully represented in the prior action.'" *Henglein*, 260 F.3d at 209 (quoting *Raytech Corp.*, 54 F.3d at 190); *see also Szehinskyj*, 432 F.3d at 255; *Hawksbill Sea Turtle v. Federal Emergency Management Agency*, 126 F.3d 461, 475 (1997). We have also considered whether the party being precluded "had a full and fair opportunity to litigate the issue in question in the prior action," *Seborowski*, 188 F.3d at 169, and whether the issue was determined by a final and valid judgment, *Nat'l R.R. Passenger Corp.*, 288 F.3d at 525.

The dispute in this case centers on whether the TTAB's finding on likelihood of confusion was "necessary" to its decision in the cancellation proceedings. Jean Alexander argues that once the Board concluded that the EQ System mark had priority over the modernized Shades EQ mark, there was no reason for it to analyze likelihood of confusion as to these two marks. To resolve the case at that point, the TTAB needed only to consider whether the *original* Shades EQ mark, which had priority, was likely to be confused with the EQ Systems mark.[3] Thus, Jean Alexander contends that the Board's determination that there was no likelihood of confusion as between the EQ System mark and the modernized Shades EQ mark was unnecessary to its 2001 decision and should not be given preclusive effect.

L'Oreal argues that collateral estoppel applies here because both priority of use and likelihood of confusion figured prominently in the cancellation proceedings and both issues were potentially dispositive of the case. L'Oreal urges us to adopt a rule under which preclusive effect is given to a finding that is an alternative ground for a judgment where the finding, standing alone, would have been sufficient to sup-

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[3] Had the Board concluded that the original and modernized Shades EQ marks were legal equivalents, it could have tacked the date of the first use of the original version onto the modernized version. This would have given the modernized version priority over the EQ System mark and forced the Board to address whether there was a likelihood of confusion between the EQ System mark and the modernized Shades EQ mark.

port the judgment. Though an alternative finding may not be strictly necessary to the judgment in the sense that there was another stated basis for the decision, L'Oreal contends that giving such a finding preclusive effect would not compromise the objectives behind the necessity principle.

The requirement that a preclusive finding must have been necessary to a judgment is rooted in principles of fairness. "[P] arties should be estopped only on issues they actually deem important, and not on incidental matters." *Lynne Carol Fashions, Inc. v. Cranston Print Works Co.*, 453 F.2d 1177, 1183 (3d Cir. 1972). Because litigants are likely to view and issue that is necessary to the resolution of a case as important and to litigate it vigorously, it is fair to give such a determination preclusive effect. *See Wickham Contracting Co., Inc. v. Bd. of Educ. Of City of New York,* 715 F.2d 21, 28 (2d cir. 1983) (noting that the necessity rule ensures that "parties to litigation have sufficient notice and incentive to litigate matters in earlier proceedings which may bind them in subsequent matter"). The necessity requirement also ensures that preclusive effect is not given to determinations that did not "receive close judicial attention," *Commercial Assocs. v. Tilcon Gammino, Inc.*, 998 F.2d 1092, 1097 (1st Cir. 1993), or that were unappealable by virtue of being incidental to a decision, *see* Restatement (Second) of Judgments § 27 cmt. h. *See also Pettaway v. Plummer,* 943 F.2d 1041, 1044 (9th Cir. 1991) ("The primary purpose of the rule that prior resolution of an issue will have collateral estoppel effect only if it was necessarily decided is to ensure that the finder of fact in the first case took sufficient care in determining the issue.");

Hicks v. Quaker Oats Co., 662 F.2d 1158, 1168 (5th Cir. Dec. 1981) ("[A]n immaterial issue may not have been afforded the same careful deliberation and analysis as an issue necessary to the judgment ...[and] a decision on an immaterial issue provides the losing party with no incentive to contest and erroneous decision by appeal."); 18 Charles Alan Wright et al., *Federal Practice and Procedure* § 4421, p.539 (2d ed. 2002) (recounting these "[t]wo common explanations" for the necessity requirement).

There is no question that likelihood of confusion was a central issue in the cancellation proceedings. It was the focus of the parties' pleadings and had been litigated extensively over the course of four years. Reviewing its own decision from 2001, the TTAB noted that this was "not a case where the Board made incidental determinations on an issue which was not before it." (App. 63a) Rather, the TTAB believed that likelihood of confusion was an important issue in the case and, in fact, intended its determination that there was no likelihood of confusion to be controlling if its holding on priority were overturned on appeal. Thus, L'Oreal is correct that the finding on likelihood of confusion constitution an alternative ground on which the Board dismissed its petition to cancel.

However, this conclusion does not resolve the question of whether the finding should be given preclusive effect because, as Jean Alexander notes, the case could have been resolved without the Board's determination that there was no likelihood of confusion between the EQ System mark and the modernized Shades EQ mark. We must determine

whether a finding that is an alternate, but independently sufficient, basis for a judgment should be deemed necessary to a decision for purposes of collateral estoppel.

"Traditional analysis has viewed [alternative holdings] as presenting a dilemma between two choices -- preclusion must be available as to each of the independently sufficient findings, or it must be denied as to all." Wright et al., *supra,* at § 4421, p. 564. Courts that apply collateral estoppel to alternative findings have sidestepped the requirement that the determination be "necessary" to the decision and focused instead on the trustworthiness and practical considerations surrounding the adjudication. Those courts that deny preclusion to independently sufficient findings do so because an alternative holding, by definition, is not "necessary" to a judgment.

The First Restatement of Judgments resolved this dilemma in favor of extending preclusion to each alternative holding. *See* Restatement of Judgments § 68 cmt. n (1942) ("Where the judgment is based upon the matters litigated as alternative grounds, the judgment is determinative on both grounds, although either alone would have been sufficient to support the judgment."). The Second Restatement, crafted forty years later, adopted the contrary position. It states that "[i]f a judgment of a court of first instance is based on determinations of two issues, either of which standing independently would be sufficient to support the result, the judgment is not conclusive with respect to either issue standing alone." Restatement (Second) of Judgments § 27 cmt. i.

There is no consensus among the courts of appeals as to whether the First or Second Restatement offers the better approach. The Courts of Appeals for the Second, Seventh, Ninth, and Eleventh Circuits generally give preclusive effect to alternative findings. *See Magnus Elecs., Inc. v. La Republica Argentina,* 830 F.2d 1396, 1402 (7th Cir. 1987) (holding that there is "no adequate reason not to apply" the position of the First Restatement); *Schellong v. INS,* 805 F.2d 655, 658-59 (7th Cir. 1986) ("[A] judgment which is based on alternative grounds is an effective adjudication as to both and is collaterally conclusive as to both."); *Gelb v. Royal Globe Ins. Co.,* 798 F.2d 38, 45 (2d Cir. 1986). ("The general rule in this Circuit is that 'if a court decides a case on two grounds, each is a good estoppel.'" (quoting *Irving Nat'l Bank v. Law,* 10 F.2d 721, 724 (2d Cir. 1926))); *DeWeese v. Town of Palm Beach,* 688 F.2d 731, 734 (11th Cir. 1982) ("Normally, each alternative basis would form an independent ground for collateral estoppel . . . .In this case, however, the existence of alternative grounds makes the application of *offensive* collateral estoppel problematic." (emphasis added)); *In re Westgate- California Corp.,* 642 F.2d 1174, 1176-77 (9th Cir. 1981) (following "established rule" that preclusion applies to each adjudicated issue necessary to support any of the ground upon which a judgment rests).[4]

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[4] The Second Restatement relied heavily on the reasoning of *Halpern v. Schwartz,* 426 F.2d 102 (2d Cir. 1970) in articulating its position on independently sufficient alternative findings. *See* Restatement (Second) of Judgments § 27 reporter's note ("[T]he reasoning of the [*Halpern*] court is highly persuasive and is adopted as the basis of [Comment i] . . . ."). However, even before

By contrast, the Courts of Appeals for the Tenth and Federal Circuits have refused to give preclusive effect to alternative findings that were each independently sufficient to support a judgment. *See Comair Retron, Inc., v. Nippon Densan Corp.*, 49 F.3d 1535, 1538-39 (Fed. Cir. 1995) (holding that a finding was not essential to a judgment for collateral estoppel purposes where judgment was supportable on other grounds); *Turney v. O'Toole*, 898 F.2d 1470, 1472 n.1 (10th Cir. 1990)(following Restatement (Second) of Judgments § 27 cmt. i). The Fifth Circuit Court of Appeals, though explicitly declining to decide whether to adopt the Second Restatement's rule in all cases, had discussed the rule with approval and applied it in the context of non-mutual offensive collateral estoppel. *Hicks*, 662 F.2d at 1169-70, 1173. Similarly, opinions of the Fourth Circuit Court of Appeals reflect a preference for the Second Restatement position, though the Court has not been entirely consistent on the issue. *Compare Tuttle v. Arlington County Sch. Bd.*, 195 F.3d 698, 704 (4th Cir. 1999) (declining to apply collateral estoppel to alternative finding of prior court),

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the Second Restatement had been completed, the Court of Appeals for the Second Circuit noted that *Halpern* was limited to its facts and that the decision was "not intended to have. . ..broad impact outside the specific context" in which *Halpern* arose, namely, bankruptcy proceedings. *Winters v. Lavine*, 574 F.2d 46, 67 (2d Cir. 1978); *see also Williams v. Ward*, 556 f.2d 1143, 1154 (2d Cir. 1977). Thus, in the Second Circuit, the view of the First Restatement still controls "in circumstances divergent from those in *Halpern*." *Winters*, 574 F.2d at 67.

with Ritter v. Mount St. Mary's College, 814 F.2d 986, 993-94 (4th Cir. 1987) (noting "general rule" that alternative findings are not given preclusive effect, but nonetheless applying collateral estoppel to an alternative ground for a judgment that was fully litigated).

Our Court has not staked out a definitive position as to whether the doctrine of issue preclusion should apply to an independently sufficient alternative finding, or how the necessity requirement figures into this situation. In a case where we were applying New Jersey law, which follows section 27 of the Second Restatement, we permitted the parties to relitigate an alternative holding of a state court that had not been reviewed on appeal. *See Arab African Int'l Bank*, 958 F.2d at 537 (citing Restatement (Second) of Judgments § 27 cmts. i, o). However, we gave no indication of whether we would adopt this approach ourselves in a case that involved only federal law.

In another case, *Hawksbill Sea Turtle v. Federal Emergency Management Agency*, the plaintiffs argued that collateral estoppel was inappropriate because "any findings made with respect to [the issue in question] were part of an alternative holding, and therefore not necessary to the prior ruling." 126 F.3d at 473-74. In the prior case between the parties, the district court had held that it lacked the power to hear the plaintiffs' claims and, alternatively, that these claims were meritless. *Id.* at 475. We held that applying issue preclusion to the substantive findings was improper because, once a court determines that it lacks jurisdiction to hear a plaintiffs' claims, "any findings made with respect to the merit of those

claims are not essential to the judgment and cannot support the application of collateral estoppel." *Id.*

Hawksbill Sea Turtle stands for the proposition that "[a] court that admits its own lack of power to decide should not undertake to bind a court that does have power to decide." Wright et al., *supra,* at § 4421, p.576-78; *see also Gulla v. North Strabane Twp.,* 146 F.3d 168, 173 (3d Cir. 1998)(declining to give preclusive effect to findings that both deny court's power to decide the merits and express a view on the merits); *Stebbins v. Keystone Ins Co.,* 481 F.2d 501, 508 (D.C. Cir. 1973)(holding that collateral estoppel is not applicable to finding against plaintiff on merits where court also held that plaintiff lacked standing). This principle is more narrow than the Second Restatement's rule that an alternative finding should never be given preclusive effect. Here, both of the TTAB's alternative holdings related to the merits of the cancellation action, and there was no doubt as to the Board's power to rule on both. Consequently, *Hawksbill Sea Turtle* does not control.

Finally, in *Henglein v. Colt Industries Operating Corp.,* we gave a court's alternative findings preclusive effect in a subsequent proceeding between the same parties. However, the findings had originally been made in the context of a declaratory judgment action and we noted in out issue preclusion analysis that the necessity requirement for collateral estoppel "has diminished importance in the declaratory judgment setting." *Henglein,* 260 F.3d at 212. "'Since the very purpose of declaratory relief is to achieve a final and reliable determination of legal issues, there should be no

quibbling about the necessity principle.'" *Id.* (quoting Wright et al., *supra,* at § 4421, p.581). Consequently, though we held that collateral estoppel should apply to all issues that the parties have litigated and a court has resolved in a declaratory action, we did not comment on how this principle applies beyond the context of declaratory judgments. Nonetheless, we were willing to look beyond the necessity requirement based on the nature of the proceeding.

Thus, the cases in which we have considered whether to give preclusive effect to independently sufficient alternative findings are all distinguishable from the instant case. We have never chosen between the positions of the First or Second Restatement under the circumstances before us. We will accordingly turn to the arguments in support of each approach.

Applying issue preclusion to independently sufficient alternative findings furthers the basic objectives of the doctrine. "Collateral estoppel. . . has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation." *Parklane Hosiery,* 439 U.S. at 326. Denying preclusive effect to a finding that would support a court's judgment merely because the case was disposed of on other grounds as well would result in the inefficient use of private and public litigation resources. Courts routinely decide cases on multiple grounds, each of which has been fully litigated and given careful consideration due to their potentially dispositive role in the case. Because the interests that the necessity principle

protects are not compromised under these circumstances, it would be curious to conclude that *none* of these findings were necessary to the judgment for purposes of collateral estoppel. *See* Restatement of Judgments § 68 cmt. n ("It seems obvious that is should not be held that neither [alternative finding] is material [to a judgment], and hence both should be held to be material.").

In opposition to this position are three arguments against applying collateral estoppel to independently sufficient alternative findings. "First, a determination in the alternative may not have been as carefully or rigorously considered as it would have if it had been necessary to the result, and in that sense it has some of the characteristics of dicta." Restatement (Second) of Judgments § 27 cmt. i Second, "[s]ince one alternative ground will support the judgment, the losing litigant has little incentive to appeal another ground, even if erroneous." *Hicks,* 662 F.2d at 1168; *see also* Restatement (Second) of Judgments § 27 cmt. i. ("[T]he losing party, although entitled to appeal from both determinations, might be dissuaded from doing so because of the likelihood that at least one of them would be upheld and the other not even reached."). Without an "incentive to appeal, the losing litigant will be less likely to consider collateral consequences of the erroneous ground, and this may disadvantage him unfairly later, unless he is particularly prescient." *Hicks,* 662 F.2d at 1168.

Finally, to the extent that parties would file "cautionary appeals" to avoid the possible preclusive effects of an alternative holding in future litigation, the would "increase[e] the

burdens of litigation on the parties and the courts rather than lightening those burdens." Restatement (Second) of Judgments § 27 cmt. i. Of course, this result is "contrary to the principles of judicial economy which motivated the doctrine of collateral estoppel in the first place." *Hicks,* 662 F.2d at 1169.

We are not persuaded by the rationale supporting the position of the Second Restatement. As a general matter, we are unconvinced that courts do, or should be assumed to, give less rigorous consideration to the alternative grounds they voice for their decisions. A determination that is independently sufficient to support a court's judgment is not "incidental, collateral, or immaterial to the judgment," *Hicks,* 662 F.2d at 1168, and it is reasonable to expect that such a finding is the product of careful judicial reasoning.

Moreover, because collateral estoppel applies only to issues that were "actually litigated" in prior proceedings, there is a little risk that preclusive effect will be given to determinations that the parties did not deem important or that were not subject to evidentiary proof. *See* Wright, et al., *supra,* at § 4419, p.495 (noting the relationship for collateral estoppel); *id.* at § 4424, p. 545 ("The necessity principle may become mingled with requirements of actual litigation and actual decision."). For example, in the instant case, the parties focused on the likelihood of confusion in their pleadings and extensively litigated the issue for more than four years. Thus, litigants are adequately protected from the unfairness of giving preclusive effect to a finding that was not "vigorously litigated" or was not a "focus of the court's decision."

Commercial Assocs., 998 F.2d at 1097; *see also Williams*, 556 F.2d at 1154 ("The concern that an issue not essential to the prior judgment may not have been afforded the careful deliberation and analysis normally applied to essential issues is a real one ins some circumstances, but not . . . where [the prior court] had the substantive issue fully briefed, and discussed its factual basis at length.").

Nor do we believe that the position of the First Restatement increases the risk that preclusion will be applied unfairly against the litigant who failed to appeal a judgment because it was supportable on alternative grounds. This concern is utterly speculative and does not outweigh the systemic interest that courts and litigants have in ensuring that the identical parties receive only "one bite at the apple" on a given issue.

Adopting the Second Restatment's view that preclusive effect should be denied to findings because they are stated in the alternative would significantly weaken the principle that "later courts should honor the first actual decision of a matter that has been actually litigated." Wright et al., *supra*, at § 4416, p. 386. The doctrine of collateral estoppel protects this vital interest of the judicial system. *See S. Pac. Ry. v. United States*, 168 U.S. 1, 49 (1897) (noting that the "general rule" of issue preclusion "is demanded by the very object for which civil courts have been established"). Litigants often raise multiple issues that are potentially dispositive of a case, and courts routinely address them in the interest of providing a complete and thoroughly reasoned decision. To permit or require relitigation of all alternative findings would eviscer-

ate a great number of judicial determinations that were the products of costly litigation and careful deliberation. Indeed, under the approach of the Second Restatement, the judicial findings in nearly any complex case would be unlikely to preclude subsequent relitigation of the same issues.

Thus, we will follow the traditional view that independently sufficient alternative findings should be given preclusive effect. We recognize that such determinations do not fulfill the necessity requirement for collateral estoppel in a strict sense but, just as we did not "'quibbl[e] about the necessity principle'" in the context of declaratory judgments, *Henglein,* 260 F.3d at 212 (quoting Wright et al, *supra,* at § 4421, p. 581), neither will we do so in the context of alternative holdings that have been actually litigated and decided. Applying collateral estoppel in such cases does not undermine the interests that the necessity principle protects. We have little difficulty promoting the objectives of the necessity rule rather than requiring its formal fulfillment in situations where those objectives are served and it is equitable to do so. *See Raytech Corp.,* 54 F.3d at 195 n.8 (noting that issue preclusion is equitable in nature); *Jack Faucett Assocs., Inc. v. Am. Tel. & Tel. Co.,* 744 F.2d 118, 125 (D.C. Cir. 1984) (same); *see also Nat'l R.R. Passenger Corp.,* 288 F.3d at 525 (describing the "equitable exceptions" to collateral estoppel); Restatement (Second) of Judgments § 28 (same). Accordingly, we adopt the view of the First Restatement and the other courts of appeals that permit the application of issue preclusion to alternative findings.

We note that at least one commentator has offered a variation on the First Restatement's rule, whereby independently sufficient alternative findings would be given preclusive effect only "if a second court can determine without extended inquiry that a particular finding reflects a careful process of decision." Wright et al, *supra,* at § 4421, p. 580; *see also Nat'l Satellite Sports, Inc. v. Eliadis, Inc.,* 253 F.3d 900, 909 (6th Cir. 2001) ("[W]here . . . one ground for the decision is clearly primary and the other only secondary, the secondary ground is not 'necessary to the outcome' for the purpose of issue preclusion."). This approach might work well in circumstances such as those before us, where the same tribunal that made the potentially preclusive finding also concluded later that this finding was necessary to its earlier judgment. However, "it is in the interest of predictability and simplicity for the result of nonpreclusion to be uniform." Restatement (Second) of Judgments § 27 cmt. i. Given that "the question of preclusion will almost always be a close one if each case is to rest on its own particular facts," *id.,* a rule that required case-by-case evaluation and second-guessing of how carefully the first tribunal considered a question would deny the parties the benefit of a "clear rule" and would likely result in a "wasteful expansion of the effort to reconstruct the initial process of decision," Wright et al., *supra,* at § 4421, p.580. We thus believe that the First Restatement of Judgments articulates a clearer and better rule to be applied in the circumstances before us.

Jean Alexander contends that, regardless of whether we adopt the First Restatement rule, it would be unfair to apply

issue preclusion here because Jean Alexander was the prevailing party in the cancellation proceedings and was therefore unable to appeal the TTAB's favorable finding on likelihood of confusion. *See* Restatement (Second) of Judgments § 28(1) (rejecting issue preclusion where "the party against whom preclusion is sought could not, as a matter of law, have obtained review of the judgment in the initial action"). We disagree. Any "party to a [TTAB] proceeding who is dissatisfied with the decision of the Broad" may appeal. *Trademark Trial and Appeal Board Manual of Procedure* § 901.01 (2d ed. 2004); *see also* 15 U.S.C. § 1071; 37 C.F.R. § 2.145. *But see Alltrade, Inc. v. Uniweld Prods., Inc.*, 946 F.2d 622, 626 (9th Cir. 1991) (citing *Weight Watchers Int'l, Inc. v. I. Rokeach & Sons, Inc.*, 546 F.Supp. 841, 842 (S.D.N.Y. 1981), for proposition that a prevailing party may only appeal the Board's action in needlessly reaching an issue, rather than its erroneous resolution of that issue). More generally, the Supreme Court has held that a prevailing party may appeal "for the purpose of obtaining a review of findings he deems erroneous which are not necessary to support the decree." *Elec. Fitting Corp. v. Thomas & Betts Co.*, 307 U.S. 241, 242 (1939); *see also Deposit Guard. Nat'l Bank v. Roper*, 445 U.S. 326, 334 (1980) ("[A]ppeal may be permitted from an adverse ruling collateral to the judgment on the merits at the behest of the party who has prevailed on the merits, so long as that party retains a stake in the appeal satisfying the requirements of Art[icle] III."). Under this authority, Jean Alexander could have appealed the Board's finding on likelihood of confusion, even as the prevailing party.

Jean Alexander's corollary argument is that, even if it could have been appealed the finding, it would have harmed its own interest to do so. "In the context of the [c]ancellation [p]roceeding before the TTAB, Jean Alexander had absolutely no interest in proving that there was likelihood of confusion," as this was a requirement for L'Oreal to prevail. (Jean Alexander Br. At 26.) We are unsympathetic to this argument. It was not necessary for Jean Alexander to resist the cancellation petition by denying the likelihood of confusion between its EQ System mark and the modernized Shades EQ mark and raising the issue as an affirmative defense. However, having raised and litigated this specific claim, Jean Alexander cannot now avoid the Board's determination of it because its own interest or the litigation context have changed. *See United States v. Webber,* 396 F.3d 381, 385-86 (3d Cir. 1968).

IV.

We follow the rule of the First Restatement of Judgments and give preclusive effect to the TTAB's alternative holding that there is no likelihood of confusion between L'Oreal's modernized Shades EQ mark and Jean Alexander's EQ System mark.[5] Because Jean Alexander's claim is barred by the

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[5] We also reject Jean Alexander's alternative arguments. First, it has claimed that it lacked a full and fair opportunity to litigate likelihood of confusion because it did not bear the burden of proof on this issue in the cancellation proceedings. We reject this argument out of hand. There is no legal authority for the proposition that a party without the burden of proof does not have the opportunity to litigate an issue and, in any event, Jean Alexander as-

doctrine of collateral estoppel, we will affirm the District court's order.

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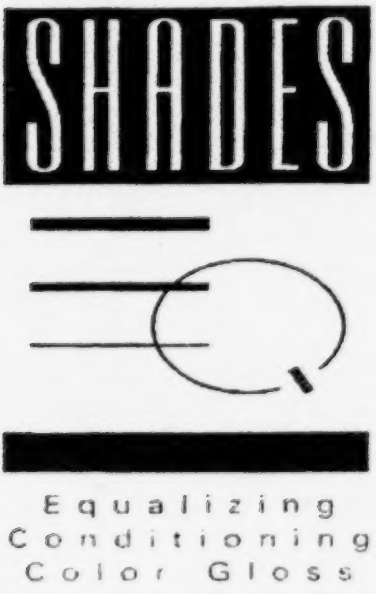
serted as an *affirmative defense* to the cancellation action that there was no likelihood of confusion and therefore did bear a burden of proof on the issue.

Jean Alexander also argues that the District Court should have converted L'Oreal's motion to dismiss into a motion for summary judgment after L'Oreal attached to its motion to dismiss copies of the TTAB's opinions and the parties' pleadings before the TTAB in the cancellation action. However, "[t]o resolve a 129b)(6) motion, a court may properly look at public records, including judicial proceedings, in addition to the allegations in the complaint." *S. Cross Overseas Agencies, Inc. v. Wah Kwong Shipping Group Ltd.*, 181 F.3d 410, 426 (3d Cir. 1999). Thus, the District Court did not err in this respect.

L'Oreal's Original "Shades EQ" Mark

(First Used in 1988)



Jean Alexander's "EQ System" Mark

(First Used in 1990; Registered in 1993)

L'Oreal's Modernized "Shades EQ" Mark

(First Used in 1992; Application for Registration Filed in 1996)

APPENDIX C – MEMORANDUM OPINION AND ORDER, DATED AUGUST 22, 2005

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Jean Alexander Cosmetics, Inc.,	)	
Plaintiff,	)	
v.	)	**2:04cv975**
L'Oreal USA, Inc., and Redken	)	
5th Avenue, N.Y.C., LLC,	)	
Defendants.	)	

MEMORANDUM OPINION AND ORDER

Before the Court for consideration and disposition are Defendants' MOTION TO DISMISS PURSUANT TO F.R.C.P. 12(b)(6) (*Document No. 2*), with brief in support (*Document No. 3*) ("Motion" and "Brief", respectively), PLAINTIFF'S BRIEF IN OPPOSITION TO DEFENDANTS (*sic*) MOTION TO DISMISS THE COMPLAINT PURSUANT TO F.R.C.P. 12(b)(6) (*Document No. 9*) ("Response"), and Defendants' REPLY MEMORANDUM IN SUPPORT OF MOTION TO DISMISS THE COMPLAINT PURUSANT TO F.R.C.P. 12(b)(6) (*Document No. 11*) ("Reply"). Also

before the Court are Defendant's MOTION TO STRIKE DECLARATION OF JAMES CIRILANO UNDER F.R.C.P. 12 (f) (*Document No. 13*) ("Motion to Strike") and PLAINTIFF'S BRIEF IN OPPOSITION TO DEFENDANTS (*sic*) MOTION TO STRIKE DECLARATION OF JAMES CIRILANO UNDER F.R.C.P. 12 (f) (*Document No. 16*) ("Opposition Brief").

Background

Plaintiff Jean Alexander Cosmetics ("Plaintiff") is a manufacturer and distributor of hair care products. Complaint at ¶ 7. Defendants L'Oreal USA, Inc. and Redken 5th Avenue, N.Y.C. LLC (collectively "L'Oreal") are related business entitles which sell, *inter alia,* hair care products.[1] *Id.* at ¶ 10-12. Plaintiff is the owner of the trademark "EQ System," which is used to identify its hair care products. *Id.* at ¶ 7. The "EQ System" trademark was registered on August 31, 1993 on the Principal Register of the United States Patent and Trademark Offices. *Id* at ¶ 9. Defendants utilized the marks "Shades EQ" and "Shades EQ and Design" in the manufacture and distribution of their own hair care products. *Id.* at ¶ 10.

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[1] Cosmair, Inc., which was L'Oreal's predecessor, was the entity which sought to register the "Shades EQ and Design" trademark in 1996. *See* Brief at unnumbered 1. Cosmair, Inc. changed its name to L'Oreal USA, Inc., in 2000. *Id.* at 3 n.4. For the sake of simplicity, the Court will refer to both entities, as well as defendant Redken 5th Avenue, N.Y.C., LLC, as "L'Oreal."

In 1996, L'Oreal attempted to register the "Shades EQ and Design" mark with the U.S. Patent and Trademark Office. Brief at unnumbered 1. The registration was refused based on the Examining Attorney's belief that there would be a likelihood of confusion with Plaintiff's "EQ System" mark. *Id.* L'Oreal then commenced a cancellation proceeding before the Trademark Trial and Appeal Board ("TTAB") to have Plaintiff's "EQ System" mark cancelled. *See* Declaration of Robert L. Sherman ("Declaration"), exh. B. The petition to cancel was ultimately denied by the TTAB, and Plaintiff's "EQ System" mark retained its status as a registered mark. Declaration, exh. D at *9. In its opinion, the TTAB determined that L'Oreal had not established the priority of its mark. Declaration, exh. D at *3-4.[2] The TTAB also addressed the second element at issue in the cancellation proceeding, *i.e.*, whether there was a likelihood of confusion between the parties' marks:

> After considering all of the evidence, we come to the conclusion that there is no likelihood of confusion between respondent's mark and petitioner's

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[2] The priority of *two* marks utilized by L'Oreal were actually at issue in the cancellation proceeding. L'Oreal did, in fact, establish the priority of the "SHADES EQ" mark that it had first used in 1988 and later modified or "modernized." However the TTAB found that the first mark was not the same as the second or "modernized" mark, and therefore L'Oreal could not "tack" its earlier use of the first mark onto its second mark to establish priority over Plaintiff's "EQ System" mark. Declaration, ex. D at *2-4.

> original and modernized marks. We have carefully considered the fact that at least some of the goods of petitioner and respondent overlap and the fact that petitioner has extensively advertised and promoted its mark. However, there are significant differences between the marks, and, when applied to hair care products, the marks are not unique or arbitrary. In addition, there has been a long period of simultaneous use without actual confusion. Furthermore, the testimony of the parties' witness indicates that confusion, at best, might be possible, but hardly likely. Weighing all of the relevant du-Pont factors, we conclude that there is no likelihood of confusion.

Id. at *7.[3]

The U.S. Patent and Trademark Office withdrew the refusal to register L'Oreal's application to register its "Shades EQ and Design" mark was published in accordance with the procedures of the Trademark Office. Brief at unnumbered 1-2. On May 13, 2003, Plaintiff commenced an opposition proceeding before the TTAB in which it opposed the registration of L'Oreal's mark. *See* Declaration, exh. A at unnumbered 1. Plaintiff contended that there was a likelihood of confusion between its "EQ System" mark and L'Oreal's "Shades EQ and Design" mark. *Id.* The TTAB concluded

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[3] The TTAB's opinion in the cancellation proceeding was handed down on November 9, 2001.

that is earlier finding in the cancellation proceeding that there was no likelihood of confusion between the parties' marks was entitled to preclusive effect, and that Plaintiff's opposition proceeding was barred by the doctrine of collateral estoppel. *Id.* at 15-16.

On June 30, 2004 Plaintiff filed a Complaint in this Court which alleges trademark infringement pursuant to federal trademark law, 15 U.S.C. §§ 1051 *et seq.* (Count I), false designation of origin and unfair competition pursuant to Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (Count II), and common law trademark infringement (Count III). Plaintiff contents in this action that there is a likelihood of confusion between its "EQ System" mark and L'Oreal's "Shades EQ and Design" mark. *See* Complaint at ¶¶ 15, 24, 32.

Standard of Review

When deciding a motion filed pursuant to Federal Rules of Civil Procedure 12(b)(6), the Court must view all the facts, and reasonable inferences drawn therefrom, in the light most favorable to the non-movant. *General Motors Corp. v. New A.C. Chevrolet, Inc.*, 263 F.3d 296, 325 (3d Cir. 2001). Dismissal is appropriate only "if it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations." *Hishon v. King & Spalding*, 467 U.S. 69, 73 (1984); *see also Lorenz v. CSX Corp.*, 1 F.3d 1406, 1411 (3d Cir. 1993).

When deciding a motion to dismiss a court generally considers only the allegations in the Complaint, but may consider exhibits attached to the complaint, matters of public record, and documents that form the basis of a claim without converting said motion into a motion for summary judgment. *See Lum v. Bank of America,* 361 F.3d 217, 222 n.3 (3d Cir. 2004).

Discussion

Defendants contend that each count of Plaintiff's Complaint is barred by the doctrine of collateral estoppel.[4] Brief at 6. The doctrine of collateral estoppel "has the dual purpose of protecting litigants from the burden of relitigating an iden-

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[4] There is no need to separately discuss whether each of Plaintiff's claims is barred by collateral estoppel. The common element of each of Plaintiff's claim is whether there is a likelihood of confusion between the two marks. *See Fisons Horticulture, Inc. v. Vigoro Industries, Inc.,* 30 F.2d 466, 472-73 (3d Cir. 1994) (Likelihood of confusion is an element of a claim for infringement of a federally registered trademark, and "is also the test for actions brought under section 43(a) of the Lanham Act...for unfair competition"); *American Tel. And Tel. Co. v. Winback and Conserve Program, Inc.,* 42 F.3d 1421, 1443 (3rd Cir. 1994) (likelihood of confusion test governs false designation of origin claims under the Lanham Act); *Standard Terry Mills, Inc. v. Shen Mfg. Co.,* 803 F.2d 778, 780 n.4 (3d Cir. 1986)("except for the element of interstate commerce required to support a claim under the Lanham Act, [federal and Pennsylvania common law trademark infringement claims] are sufficiently similar to permit us to restrict our discussion to the federal claim alone.").

tical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation." *Parklane Hosiery Co., Inc., v. Shore,* 439 U.S. 322, 326 (1979). The United States Court of Appeals for the Third Circuit has provided the following guidance on the application of collateral estoppel:

> In order for the doctrine to apply, (1) the issue decided in the prior adjudication must be identical to the one presented in the later action, (2) there must be a final judgment on the merits and (3) the party against who the doctrine is asserted must have been a party or in privity with a party to the prior adjudication and have had a full and fair opportunity to litigate the issue in question in the prior action.

Seborowski v. Pittsburgh Press Co., 188 F.3d 163, 169 (3d Cir. 1999)(citation omitted).

It is clear to the Court that each element of collateral estoppel is present in this action. First, the TTAB determined in the cancellation proceeding that there was no likelihood of confusion between two marks. *See* Declaration, exh. D at *7. Second, the decision of the TTAB is clearly a final judgment on the merits.[5] Third, the parties to the cancellation proceeding and the instant action are the same. Finally, it is

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[5] There is no argument or evidence that the TTAB's decision in the cancellation proceeding has been overturned, appealed, or is otherwise not a final judgment. *See* Brief at 9.

also clear to the Court that Plaintiff had a full and fair opportunity to litigate the issue of likelihood of confusion in the cancellation proceeding. Therefore, the Court finds that litigation of the claims alleged in Plaintiff's Complaint is barred by collateral estoppel.

Plaintiff contends that the TTAB's finding of no likelihood of confusion is dicta and/or an advisory opinion. Response at 5-7. Specifically, Plaintiff contends that because the TTAB resolved the issue of priority in its favor, it was unnecessary for the TTAB to also resolve the issue of likelihood of confusion. *See id.* The Court observes that Plaintiff made the same basic argument to the TTAB in the opposition proceeding, *i.e.,* that its earlier opinion was dicta and/or an advisory opinion as to the likelihood of confusion. Declaration, ex A at *11. The TTAB thoroughly discussed the issue and disagreed with Plaintiff's contention. *See id.* at *11-16.

The Court agrees with the reasoning of and result reached by the TTAB on the issue of whether the earlier finding was dicta and/or an advisory opinion. As stated by the TTAB in the opposition proceeding, "[t]his is not a case where the Board made incidental determinations on an issue which was not before it. The issue of likelihood of confusion was the focus of the parties' pleadings and was fully litigated before the Board." *Id.* at 15. In fact, the opinion of TTAB in the cancellation proceeding reflects the tribunal's diligent effort to thoroughly address all issues properly before it for resolution. Accordingly, the Court will dismiss this action on the basis that the claims alleged in Plaintiff's Complaint are barred by the doctrine of collateral estoppel.

Finally, Defendants' Motion to Strike will be denied summarily. The Declaration of James Cirilano was obviously filed in support of Attorney Cirilano's Response, and it includes the Brief in Opposition to Cancellation filed by Plaintiff in the cancellation proceeding. The Brief in Opposition to Cancellation is relevant to the Motion to Dismiss, and as a public record may be, and has been, considered by the Court. Accordingly, the Motion to Strike is without merit.

Conclusion

For the reasons hereinabove set forth, the Court finds and rules that Plaintiff's claims are barred by the doctrine of collateral estoppel. Therefore, the Motion to Dismiss will be granted and this action will be dismissed. Defendants' Motion to Strike lacks merit and will be denied.

McVerry, J.

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Jean Alexander Cosmetics, Inc.	)	
Plaintiff	)	
v.	)	**2:04cv975**
L'Oreal USA, Inc., and Redken	)	
5th Avenue, N.Y.C., LLC	)	
Defendants.	)	

ORDER OF COURT

AND NOW, this 22nd day of August, 2005, in accordance with the foregoing Memorandum Opinion it is hereby ORDERED, ADJUDGED and DECREED as follows:

1) Defendants' Motion to Dismiss Pursuant to F.R.C.P. 12(b)(6) (*Document No. 2*) is GRANTED and this action is DISMISSED WITH PREJUDICE;

2) Defendants' Motion to Strike Declaration of James Cirilano Under F.R.C.P. 12(f) (*Document No. 13*) is DENIED; and

3) The clerk shall mark this case as closed.

BY THE COURT:

/s/ Terrence F. McVerry
United States District Court Judge

cc: James Cirilano, Esquire
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Mckees Rocks, PA 15136

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APPENDIX D – OPINION OF THE TRADEMARK TRIAL AND APPEAL BOARD, DATED AUGUST 9, 2004

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
Trademark Trial and Appeal Board
2900 Crystal Drive
Arlington, Virginia 22202-3514

DUNN
August 9, 2004

Opposition No. 91156843

JEAN ALEXANDER COSMETICS, INC.

v.

L'OREAL USA CREATIVE, INC.[1]

Before Hanak, Rogers, and Drost, Administrative Trademark Judges.

By the Board:

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[1] The October 1, 2002 assignment of application Serial No. 75057432 from L'OREAL. USA, INC to L'OREAL USA CREATIVE, INC., is recorded with the U.S. Patent and Trademark Office Assignment Branch at Reel 2606, Frame 0990. Accordingly, the Board's institution and trial letter incorrectly listed applicant's predecessor as party defendant. The parties are ordered to use the above case title in future filing with the Board.

On May 13, 2003, Jean Alexander Cosmetics, Inc. [JAC] filed a notice of opposition to application Serial No. 75057432 on the ground that application L'Oreal USA Creative, Inc.'s [LUCI] mark, shown below, when used on its hair care products, so resembles JAC's previously registered mark for the same or similar goods as to be likely to cause confusion.

Registration No. 1790050	Application Serial No. 75057432
hair care preparations; namely, shampoo, conditioner, styling lotion, permanent wave, hair dressing (alleging use and use in commerce since July 5, 1990	hair care products, namely shampoos, and hair color which are sold to and by professional hair dressers, stylists and salons (alleging use and use in commerce since 1988) swatch rings containing sample hair pieces of various colors (alleging use and use in commerce since 1992)

This case comes before the Board on LUCI's combined motion to amend its answer and for judgment on the pleadings, filed October 31, 2003, and JAC's motion to convert LUCI's motion to a motion for summary judgment, filed November 28, 2003. Both motions have been briefed, and both involve the question of whether the Board's decision in a prior cancellation proceeding between these parties should be given preclusive effect.

Procedural Matters

Preliminary, we note that LUCI moves to amend its answer to add the affirmative defense of judicial estoppel to its existing affirmative defenses of res judicata and collateral estoppel, and to seek entry of judgment on the affirmative defense of judicial estoppel. With regard to LUCI's motion to amend its answer, JAC filed a response specifically consenting thereto. Accordingly, LUCI's amended answer is accepted.

On November 28, 2003, thirty days after LUCI's motion for judgment on the pleadings was served, JAC filed a motion to convert the motion for judgment on the pleadings to a motion for summary judgment, and its response to LUCI's presumptive motion for summary judgment. LUCI filed an opposition which argued that the motion was a ploy to persuade the Board to accept the late response to the motion for judgment on the pleadings. Insofar as LUCI has submitted matters outside the pleadings, the Board will treat LUCI's

motion for judgment on the pleadings as one for summary judgment under Fed.R.Civ.P.56.[2] JAC's response to LUCI's motion for summary judgment, which accompanied JAC's motion to convert (and was thus received within 20 days of service of the motion for summary judgment) will be considered. *See* Trademark Rule 2.127(e)(1).

Background

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[2] In support of its motion for judgment on the pleadings, LUCI submitted the declaration of attorney Robert Sherman, and the pleadings and the Board's final order in Cancellation No. 92026649. In its opposition to JAC's motion to convert, LUCI ignores its submission of Mr. Sherman's declaration, and argues that the Board may take judicial notice of the pleadings and final orders.

However, it is well settled that the Board does not take judicial notice of the records of this Office. *In re the Clausen Co.*, 222 USPQ 455, 456 n.2 (TTAB 1984); *International Association of Lions Clubs v. Mars, Inc.*, 221 USPQ 187, 189 n.8 (TTAB 1984). Moreover, LUCI's motion for judgment on the pleadings does not ask that the Board take judicial notice of the pleadings and the Board's final order in Cancellation No. 92026649, but refers to the papers submitted with the motion.

In sum, LUCI submitted matters outside the pleadings with its motion, and JAC moved to convert the motion to one for summary judgment. In these circumstances, the Board's decision to treat the motion as a motion for summary judgment does not require further briefing by the parties. *See* TBMP §528.04.

On August 31, 1993, Registration No. 1790050 issued to JAC for the mark EQ SYSTEM and design for the hair care products listed above.

On August 15, 1997, Cosmair Inc., predecessor to LUCI, filed a petition to cancel Registration No. 1790050 for the mark EQ SYSTEM and design on the grounds of priority and likelihood of confusion, alleging that Cosmair Inc.'s application Serial No. 75057432 had been refused registration on the basis of Registration No. 1790050. The Board instituted Cancellation No. 92026649.[3] Following a trial, the Board issued its final decision holding that, because Cosmair Inc. was not permitted to "tack on" its dates of use for the earlier version of the mark, Cosmair Inc. had not established priority of use. The Board's final decision also held that there were significant differences between the marks which, when applied to hair products, were neither unique nor arbitrary, that there was six years of co-existence without actual confusion, and that the testimony of witnesses for both parties indicated that confusion might be possible but as hardly likely, and that there was no likelihood of confusion between JAC's mark and Cosmair's original and modernized marks. Accordingly, the Board's final decision denied the petition to

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[3] On June 21, 2000, in the course of the proceeding, Cosmair changed its name to L'Oreal USA, Inc. The name change is recorded with the USPTO Assignment Branch (Reel 2429, Frame 0352). As noted in footnote 1, L'Oreal USA, Inc. subsequently assigned application Serial No. 75057432 to the defendant in this case, L'Oreal USA Creative, Inc.

cancel on the ground that Cosmair had established neither priority of use nor likelihood of confusion.

Following the Board's decision in Cancellation No. 92026649, and the assignment of the application, the examining attorney withdrew the refusal to register LUCI's mark based on likelihood of confusion with JAC's registered mark, and approved the application for publication in the *Official Gazette*. Application Serial No. 75057432 published for opposition on January 14, 2003. After receiving extensions of its time in which to do so, on May 13, 2003, JAC filed a notice of opposition on the ground that LUCI's mark, when used on its hair care products, so resembles JAC's previously registered mark for the same or similar goods as to be likely to cause confusion.

Motion For Summary Judgment

The Board now takes up the question of whether LUCI is entitled to summary judgment on the ground that the Board's finding in Cancellation No. 92026649 that there is no likelihood of confusion between LUCI's mark SHADES EQ and design, the subject of application Serial No. 75057432, and JAC's mark EQ SYSTEM and design, the subject of Registration No. 1790050, precludes consideration of the claim now brought by JAC, namely that there is a likelihood of confusion between the two marks.

As noted above, in support of its position that JAC is estopped from bringing the notice of opposition, LUCI has submitted the declaration of attorney Robert Sherman, and

the pleadings and the Board's final order in Cancellation No. 92026649. JAC, on the other hand, contends that the prior Board decision should have no preclusive effect here. JAC argues that it has never taken the position that there was no likelihood of confusion between the parties' marks, that the parties' positions were reversed in the prior proceeding and JAC has no burden to demonstrate likelihood of confusion, and that LUCI's predecessor had failed to carry its burden of proof. JAC also argues that, because LUCI's predecessor failed to establish priority in the prior proceeding, the determination that there was no likelihood of confusion was not necessary to the Board's judgment. In support of its position, JAC submitted a copy of its trial brief filed in Cancellation No. 92026649, which includes a section in which JAC asserts that LUCI has not produced sufficient evidence to demonstrate likelihood of confusion.

Application of Estoppel

As noted, LUCI has asserted the affirmative defenses of res judicata (or claim preclusion), collateral estoppel (or issue preclusion), and judicial estoppel (preclusion of inconsistent legal positions). Trademark Act Section 19 specifically allows for the application of estoppel in *inter partes* Board proceedings. See 15 U.S.C. § 1069.[4] All three are judge-

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[4] Trademark Act Section 19 states:
In all inter partes proceedings equitable principles of laches, estoppel, and acquiescence, where applicable, may be considered and applied.

made doctrines, based on common law equitable principles. *See* Wright & Miller, 18 Fed. Prac. & Proc., Juris. 2d § 4403 (2004). As such, consideration of the defenses is within the court or the Board's discretion. *See Vitaline Corp. v. General Mills, Inc.*, 891 F.2d 273, 13 USPQ2d 1172 (Fed.Cir. 1989); *Boston Chicken Inc. v. Boston Pizza International Inc.*, 53 USPQ2d 1053 (TTAB 1999); Wright & Miller, 18 Fed.Prac & Proc., Juris 2d §4405 (2004) ("[A] court may rais the question on its own motion."). The Board will exercise its discretion and consider whether the Board's earlier judgment precludes this action.

Under the doctrine of claim preclusion, "a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action." *Parklane Hosiery Co. v. Shore,* 439 U.S. 322, 326 n.5, 99 S. Ct. 645, 58 L.Ed. 2d 552 (1979); *Jet Inc. v. Sewage Aeration Systems,* 223 F.3d 1360, 55 USPQ2d 1854 (Fed. Cir. 2000). Because the earlier proceeding involved the cause of action brought by LUCI to cancel JAC's mark, and the instant proceeding involves the cause of action brought by JAC to oppose registration of LUCI's mark, the cause of action is not the same in the two proceedings.[5]

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[5] Preclusion of the cause of action, or claim, occurs:
When a valid and final judgment rendered in an action extinguishes the plaintiff's claim pursuant to the rules of merger or bar, the claim extinguished includes all rights of the plaintiff to remedies against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose.

Issue preclusion, as distinguished from claim preclusion, does not included any requirement that the claim (or cause of action) be the same: "[W]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether in the same or a different claim." Restatement Second of Judgments § 27 (1982). *See also Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394 (Fed. Cir. 1983). The requirements which must be met for issue preclusion are:

(1) the issue to be determined must be identical to the issue involved in the prior action;

(2) the issue must have been raised, litigated and actually adjudged in the prior action;

(3) the determination of the issue must have been necessary and essential to the resulting judgment; and

(4) the party precluded must have been fully represented in the prior action.

Mother's Restaurant Inc. v. Mama's Pizza, Inc., supra; Marc A. Bergsman, *TIPS FROM THE TTAB: The Effect of Board Decisions in Civil Actions; Claim Preclusion and Issue Preclusion in Board Proceedings,* 80 Trademark Rep. 540 (1990).

See Vitaline Corp., supra at 275, *quoting* Restatement (Second) of Judgments § 24 (10 (1982).

The first two of the four required elements are clearly present in this case. In Cancellation No. 92026649, the Board determined the issues of priority of use and likelihood of confusion between the marks in Application Serial No. 75057432 and Registration No. 1790050, and those identical issues are raised in the notice of opposition. Following trial, Cancellation No. 92026649 concluded with a final order deciding the pleaded issues, and thus priority and likelihood of confusion were raised, litigated, and adjudged by the Board.

JAC disputes that the latter two requirements were met. To the extent that the issue preclusion requires a full and fair opportunity to litigate the issue to be precluded, JAC argues that it was not fully represented in the prior action. Specifically, JAC contends (Opposer's Memorandum in Opposition to Summary Judgment, p.1):

> [LUCI] is not entitled to summary judgment based on Judicial Estoppel, Collateral Estoppel, or Res Judicata because [JAC] did not take the position in the prior cancellation proceeding that [JAC's] mark EQ SYSTEM and [LUCI's] mark SHADES EQ were confusingly similar.

Rather, JAC contends, JAC maintained the consistent position that LUCI lacked priority and failed to establish likelihood of confusion, points adopted by the Board in its final order. JAC argues that his order should not "deny [JAC] the right to successfully and competently prove that which [LUCI] was unable to prove on its own, the manifest likelihood of confusion between [the parties' marks]."

However, the standard for issue preclusion is not whether the parties actually advanced all possible evidence and arguments in the prior proceeding, but whether they were afforded the opportunity to do so. "To preclude parties from contesting matters that they have had a full and fair opportunity to litigate protects their adversaries from the expense and vexation attending multiple lawsuits, conserves judicial resources, and fosters reliance on judicial action by minimizing the possibility of inconsistent decisions." *Montana v. United States,* 440 U.S. 147, 153-154, 99 S.Ct. 970, 59 L.Ed. 2d 210 (1979).

JAC also contends that the issue preclusion is inapplicable because the Board's determination of likelihood of confusion were mere dicta, and not necessary to the Board's judgment in Cancellation No. 92026649. Specifically, JAC argues that the Board's determination that LUCI failed to establish priority made moot the determination of likelihood of confusion. At the outset, it is important to note that the requirement that a finding be "necessary" to a judgment does not mean that the finding must be so crucial that, without it, the judgment could not stand. Rather, the purpose of the requirement is to prevent the incidental or collateral determination of a nonessential issue from precluding reconsideration of that issue in latter litigation. *See Mother's Restaurant Inc., v. Mama's Pizza, Inc., supra*, at 1571, *citing Restatement (Second) of Judgments* § 27 comment h (1982).

Accordingly, the Board will consider the earlier proceeding between the parties to determine whether JAC had a full and fair opportunity to try the issue of likelihood of confu-

sion such that JAC is considered to have been "fully represented" in that proceeding, and whether the trial of the likelihood of confusion issue was such that it should be deemed necessary to the Board's judgment in the cancellation proceeding.

Cancellation No. 92026649

In the earlier action, JAC filed its answer denying the allegations of priority and likelihood of confusion between the marks in Application Serial No. 75057432 and Registration No. 1790050, participated in discovery, cross-examined Cosmair's witnesses, submitted trial evidence, briefed the case on the merits, and attended an oral hearing before the Board. In its final decision in Cancellation No. 9202664, the Board specified that the record comprised the involved registration and application files; the trial testimony depositions, with accompanying exhibits, of corporate officers for both parties, a corporate officer for a third party salon company, and JAC's chemist; Cosmair's notice of reliance on the discovery depositions, with accompanying exhibits, of JAC's chief executive officer; portions of the discovery deposition of a senior vice president of Cosmair; JAC's notice of reliance upon JAC's responses to interrogatories; excerpts from the publication *Modern Salon;* and dictionary definitions.

With respect to priority, the Board determined that Cosmair's earlier version of its mark, in use since 1988, was not the legal equivalent of its current version, modernized around 1992 and the subject of the instant application, and that Cosmair was not permitted to "tack on" its dates of use for the earlier version of the mark. The Board concluded

that Cosmair had not established priority of use of the mark shown in the application with respect to JAC's date of the first use in its registration, July 5, 1990.

With respect to the determination of likelihood of confusion, the Board considered the evidentiary factors set out in *In E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). When evaluating whether the marks of the parties are similar, the Board considered both version of Cosmair's mark "in case on further review, it is determined that petitioner's original and modernized marks are legal equivalents." The Board found that while all three design marks featured the same two letters EQ, the parties' marks had significant differences in sound, appearance, meaning, and commercial impression. Citing the testimony of each party in its evaluation of the meaning of the marks, the Board found that EQ SHADES "suggests color shades that are equalized when applied to hair" and the EQ SYSTEM "suggests a system that keeps hair in equilibrium with the right balance of hair care products." In its consideration of the relationship between the goods of the two parties, the Board found that the parties used the marks on identical or related hair care products. The Board specifically addressed "the opinion and attitudes of the parties in regard to the issue of likelihood of confusion." The board found that the witnesses of the parties testified that confusion is unlikely or the witness were equivocal about the likelihood of confusion. The Board also noted that neither party testified that there were any instances of actual confusion. The Board considered the overlap between some of the goods of the parties,

the extensive promotion by Cosmair, and the significant differences between the marks which, when applied to hair products are neither unique nor arbitrary, the six years of coexistence without actual confusion, and the testimony of parties' witnesses which indicated that confusion might be possible, but was hardly likely. After considering all the evidence, and weighing all the relevant Dupont factors, the board concluded that there was not likelihood of confusion between JAC's mark and Cosmair's original and modernized marks. Accordingly, the Board denied the petition to cancel on the ground that Cosmair's established neither priority of use nor likelihood of confusion.

"[A]n inter partes decision of the Trademark Board, whether reviewed by the Federal Circuit or not, must be carefully examined to determine exactly what was decided an on what evidentiary basis ....[W]here the Trademark Board has indeed compared conflicting marks in their entire marketplace context, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate." 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §32:101 (4th ed. 2004). Here, the Board made detailed and specific findings in its determination of both priority and likelihood of confusion, and the determination of no likelihood of confusion in the market place was necessary to the final judgment. This is not a case where the Board made incidental determinations on an issue which was not before it. The issue of likelihood of confusion was the focus of the parties' pleadings and was fully litigated before the Board. *See*

Mother's Restaurant Inc. v. Mama's Pizza, Inc., supra, at 1571.

LUCI"S Motion For Summary Judgment GRANTED

After careful review of the record and the applicable law, the Board finds that there is no genuine issue of material fact, and that LUCI is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c). The pleaded affirmative defense of issue preclusion applies here, and the Board's final decision in Cancellation No. 92026649 finding no likelihood of confusion between the parties; marks bars relitigation of that issue.[6] Summary judgment is entered for LUCI, and the opposition is dismissed with prejudice.

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[6] Accordingly, we need not reach the issue of whether judicial estoppel is also applicable to this proceeding.

APPENDIX E – OPINION OF THE TRADEMARK TRIAL AND APPEAL BOARD, DATED NOVEMBER 9, 2001

*1 THIS DISPOSITION IS NOT CITABLE AS PRECEDENT OF THE T.T.A.B.

Trademark Trial and Appeal Board

Patent and Trademark Office (P.T.O.)

COSMAIR, INC.

v.

JEAN ALEXANDER COSMETICS, INC.
Cancellation No. 26, 649
November 9, 2001
Hearing: June 28, 2001

Russell H. Falconer and Jeanne Hamburg of Baker Botts, L.L.P. for Cosmair, inc.

James Cirilano of Cirilano & Wright for Jean Alexander Cosmetics, Onc.

Before Chapman, Holtzman, and Drost

Administrative Trademark Judges:

On August 15, 1997, Cosmair, Inc. (petitioner) filed a petition to cancel Registration No. 1,790,050, owned by Jean Alexander Cosmetics, Inc. (respondent). The registration, for the mark shown below, issued on August 31, 1993, as a result of an application filed on January 13, 1993.

The goods in the registration are identified as "hair care preparations; namely, shampoo, conditioner, styling lotion, permanent wave, hair dressing" in International Class 3. The registration alleges a date of first use and a date of first use in commerce of July 5, 1990. [FN1].

Petition claims that it has filed an application (Serial No. 75/057,432) to register the mark shown below for goods identified as "hair care products, namely, shampoos, and hair color which are sold to and by professional hair dressers, stylists and salons" in International Class 3; "charts for matching hair care products with various hair types" in International Class 16; and "swatch rings containing sample hair pieces of various colors" in International Class 26.

Petitioner alleges that respondent's registration has been cited as a bar to the registration of its application; that it has, through a predecessor in interest, been using the SHADES EQ and design mark long before respondent's adoption and use of its mark, and respondent's application for registration of its mark; and that there is a likelihood of confusion be-

tween the two marks and therefore, it seeks the cancellation of respondent's registration.

In its answer, respondent denied the salient allegations of the petition to cancel. Both parties have filed briefs in this case, and both parties attended an oral hearing held before this Board on June 28, 2001.

The Record

The record consists of the file of the involved registration; the trial testimony deposition, which accompanying exhibits, of Judith Maginn, petitioners' assistant vice-president of marketing; the trial testimony deposition, with accompanying exhibits, of Steven Vance Goddard, petitioner former senior vice-president of marketing and advertising; the trial testimony deposition, with accompanying exhibits, of Thomas Canode, chief financial office of Marshall Salon Services; the trial testimony deposition, with accompanying exhibits, of Richard Riso, respondent's chemist; the trial testimony deposition, with accompanying exhibits, of Joseph Scioscia, respondent's chief executive officer; petitioner's notice of reliance on the discovery deposition, with accompanying exhibits, of Joseph Scioscia, excerpts from Modern Salon, and petitioner's trademark application file for its SHADES EQ and design mark; and portions of a discovery deposition of David Cannell, a senior vice-president of petitioner's Redken division, dictionary definitions, and responses to interrogatories submitted by respondent in its notice of reliance.

PRIORITY

*2 Before we can address the likelihood of confusion issue, we must determine what petitioner's mark is and other issues related to priority. While petitioner has referred to its mark as "SHADES EQ and design," the petition to cancel does not contain an image of the mark. Petitioner's pending trademark application, which is referred to in its petition to cancel, is for the following mark.

The petition to cancel indicates that petitioner's use of its SHADES EQ and design mark predates respondent's date of first use in its registration (July 5, 1990), with an allegation that petitioner has used its mark since 1988. During the course of the trial, it became clear that the mark petitioner used in 1988 was the mark shown below.

Petitioner describes this difference as "a de minimis alteration of Petitioner's mark. " Reply Br., p. 1 Respondent sees the marks as being two different marks and argues that

petitioner "should not be permitted to 'tack' the date of first use of 1988." Respondent's Br. P. 13. In effect, respondent is arguing that petitioner abandoned its mark when it "modernized" it around 1992. Its best evidence of abandonment of the original mark is the testimony of one of petitioner's witnesses, David W. Cannell, senior vice-president of Redken Research and Development, who responded to a question of when did Redken [FN2] stop using the original mark by saying: "I believe it was in 1992." Cannell dep., p. 92.

However, another witness of petitioner quite clearly and specifically testified that the original mark, without the vertical line connecting the three horizontal lines, was still in use at the time of her testimony. The witness, Judith Maginn, assistant vice president of marketing for Redken, was shown containers for lightening crystals with the new and old versions of the marks on them. Maginn Ex. 5 (modernized version) and Magin Ex. 9 (original version).

Q. Referring specifically to Maginn Exhibits 9 and Maginn 5, are both of those products currently offered for sale?

A. Yes.

Q. Approximately how long will both be offered for sale?

A. About another year to two years.

Q. Why is it that they're both currently offered for sale?

A. We enhanced the package design in 1998. And this is some of the older package we still have in the marketplace.

Maginn dep., pp. 12-13

While petitioner's witnesses were somewhat inconsistent, we rely on the testimony of Maginn who was able to describe with specificity why the two marks were still in use and when Redken was likely to run out of these products with these marks on them. We conclude that the original Redken mark is still in use and, thus, petitioner is entitled to rely on this representation of its mark to establish that there is a likelihood of confusion.

*3 In addition, we hold that petitioner has established priority of its original SHADES EQ and design mark because it has used this mark since 1988 and it continues to use this mark on hair care products. See Goddard dep., pp. 16-17 (SHADES EQ equalizing conditioning color glass and processing solution launched, and sales orders, at the Barber and Beauty Supply Institute function in 1988). See also Petitioner's Ex. 2 (advertisement in Modern Salon, Oct. 1989); Canode dep., p.5 and Ex. B (Showing sales of SHADES EQ products from mid-1989 through 1990).

However, we cannot agree with petitioner that the change from the earlier to the later version of its mark is a simple modernization of its mark and only a de minimis change. Petitioner's original mark is a design that, at best, suggests the letters "EQ." Its modernized mark unmistakably shows these same letters, rather than merely suggesting them. We agree with respondent that the petitioner cannot rely on this modernized mark because its first use postdates respondent's first use and the differences between the two marks are too

substantial to support petitioner's claim that they are essentially the same mark. "[O]ur inquiry must focus on both marks in ther entireties to determine whether each conveys the same commercial impression ....Tacking is occasionally permitted where the two marks, though differing slightly in their literal or grammatical presentation, nevertheless possess the same connotation in context." Van Dyne-Crotty, Inc. v. Wear-Guard Corp., 926 F.2d 1156, 17 USPQ2d 1866, 1869 (Fed. Cir. 1991) (emphasis in original). Legal equivalent of the mark in question or indistinguishable therefrom, and the consumer should consider both as the same mark." Id. at 1868.

Here, we cannot say that consumers would consider petitioner's original and modernized marks "as the same marks." The original mark is barely recognizable design of the letters "EQ." Many potential purchases would likely not even recognize the letters and instead believe it is simply an interesting design. Petitioner's modernized mark clearly contains the letters "EQ." Therefore, we hold that the two marks do not meet "the stringent standards applicable to tacking proposals" and the two marks are not legal equivalents because purchasers would clearly differentiate them. Id. The three horizontal lines are only suggestive of the letter "E" and many prospective purchasers are unlikely to associate the lines with that letter. Even the other letter, "Q," is not readily apparent without studying the mark closely. Petitioner's own promotional materials describe the new design as its "new, easier to read logo." Maginn Ex. 31, p.2. As shown below, the two marks contain more than just de minimis dif-

ferences and one is not the simple modernization of the other.

Image 5 not available via Offline Print, but may be viewed on westlaw.com.

*4 We concluded that petitioner has established priority for its original mark only. The modernized mark is not the same mark, and because its use postdates respondent's use, petitioner has not established priority of the modernized mark.

LIKELIHOOD OF CONFUSION

We now turn to the other issue in this case, which is whether petitioners' mark SHADES EQ and design, which is used on various hair care products is confusingly similar to registrant's mark for EQ SYSTEM and design, which is also used on hair care products. Now, we analyze this issue in light of the factors set out in In re E.I. du Pont de Nemours & co., 476 F.2d 1357, 1361, 177 USPQ 563, 567 (CCPA 1973). Not all of the du Pont factors are applicable in every case. In re Dixie Restaurants, 105 F.3d 1405, 1406, 41 USPQ2d 1531, 1533 (Fed. Cir. 1997)

In this case, the first factor that we consider is whether the marks are similar. We will not only consider whether petitioner's original mark is confusingly similar to respondent's mark, but, solely for the sake of completeness, we will also consider whether the modernized version of petitioner's mark is confusingly similar to respondent's mark. [FN3] We do this in case upon further review, it is determined that petitioner's original and modernized marks are legal equivalents.

Both petitioner's marks and respondent's mark are design marks that contain the same letters EQ. We have already noted that the letters EQ are barley discernable in petitioner's original mark. While the marks contain the same two letters, they have significant differences. Respondent's mark is EQ SYSTEM and design, while petitioner's mark is SHADES EQ and design.

Both petitioner's and respondent's marks are displayed in somewhat different designs that are certainly not identical. While the marks are somewhat similar, they also have differences in sound, appearance, meaning and commercial impression. The parties' marks would be pronounced differently. Their appearances are different with the only point of similarity being the letters "EQ." The letters "EQ" are a recognized abbreviation for "equal," "equation," or "equivalent." Webster's II New Riverside University Dictionary (1984), p. 1346. [FN4] Petitioner itself uses its mark with "equalizing conditioning color gloss." Maginn Ex. 31, p.2. Respondent indicated that its mark "was derivative from trying to get the balance, which at this-then at the time was called equilibrial [sic] balance. It was trying to balance the products on the hair to get an end result." Scioscia test. Dep.,

p. 32. Thus, the letters "EQ" have a suggestive meaning when applied to hair care products to suggest and equalizing or equilibrium effect the product would have on the hair. This somewhat common meaning of the common meaning of the common letters "EQ" creates a different meaning when applied to the words "shades" and "systems." One suggests color shades that are equalized when applied to hair and the other suggests a system that keeps hair in equilibrium with the same two letters, "EQ," they have significant difference in sound, appearance, meaning, and commercial impression.

*5 Next, we look at the relatedness of the goods. To determine whether the goods are related, we must look to the goods as they are defined in the registration. See Octocom Systems, Inc. v. Houston Computers Services Inc., 918 F.2d 937, 16 USPQ2d 1783, 1787 (Fed.Cir. 1990) ("The authority is legion that the questions of registrability of an applicant's mark must be decided on the basis of the identification of goods set forth in the application regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channels of trade or the class of purchasers to which the sales of goods are directed"). See also Canadian Imperial Bank of Commerce v. Wells Fargo Bank, 811 F.2d 1490, 1493, 1 USPQ2d 1813, 1815 (Fed.Cir. 1987) (it was [applicant] that sought to register its mark for the broad range of services, and it is on that basis that the Board correctly determined the likelihood of confusion issue"); Paula Payne Products v. Johnson Publishing Co., 473 F.2d 901, 177 USPQ 76, 77 (CCPA 1973) ("Trademark cases in-

volving the issue of likelihood of confusion must be decided on the basis of the respective descriptions of goods").

In this case, the goods in respondent's registration are identified as "hair care preparations; namely, shampoo, conditioner, styling lotion, permanent wave, hair dressing." Petitioner's goods in 1988 were related hair care products for equalizing conditioning color gloss and processing solution for hair care. Maginn dep., 115-16. Subsequently, petitioner has used its mark on a wide variety of good including shampoo so that the goods of the parties are either identical or related hair care products.

Thus, we are dealing with the marks that that have some similarities and are used on identical and related hair care products. We must now consider other factors that effect the question of whether there is a likelihood of confusion in this case. The CCPA's final factor requires us to consider "any other established fact probative of the effect of use." Du Pont, 177 USPQ at 567. One important consideration in this case is the opinions and attitude of the parties in regard to the issue of likelihood of confusion. In the case of consent agreements we have been cautioned to place significant emphasis on the parties' views regarding whether there is a likelihood of confusion:

We have often said, in trademark case involving agreements reflecting parties' views on the likelihood of confusion in the marketplace, that they are in a much better position to know the real life situation than bureaucrats or judges and therefore such agreements may, depending on the circumstances, carry great weight, as was held in DuPont.

Here, the board appears effectively to have ignored the views and conduct of the parties merely because it harbored a different view from the parties on likelihood of confusion.

*6 Bongrain Int'l (Am.) Corp. v. Delice de France, Inc., 811 1479, 1 USPQ2d 1775, 1778 (Fed. Cir. 1987). "All evidence tending to prove or disprove a likelihood of confusion between two marks must be considered." Georgia-Pacific Corp. v. Great Plains Bag Co., 614 F.2d 757, 204 USPQ 697, 699 (CCPA 1980). Here, the witnesses of the parties testified that confusion is either unlikely or they were equivocal about the likelihood of confusion. Petitioner's assistant vice-president for marketing could foresee some possibility of confusion.

Q. Do you believe that the Jean Alexander product is likely to be confused with the Redken product because of the trademark EQ Systems?

A. In the totality of the product, I would say no.

Q. Do you believe looking at the mark alone, that is comparing EQ Systems with the Redken mark Shades EQ, do you believe that those tow marks are confusingly similar?

A. That would depend on how they were used.

Q. If they were to appear on a white piece of paper, both being the same size and in the same proportion of design, do you believe that they would be confusingly similar?

A. They could be if you just glanced at them and you were looking for one.

Maginn dep., p/ 78.

Petitioner's former senior vice president of marketing and advertising was much less equivocal.

Q. [D]o you think a purchaser of these products, referring to Exhibits 17 through 34 collectively [products containing petitioner's modernized mark and respondent's mark] would likely be confused into believing they came from the same source?

A. No, I don't believe so.

Goddard dep., p. 127.

Petitioner's witness subsequently went on to explain that the believed that "Shades is an integral part of the Shades EQ logo. And because of that inclusion with that logo, I think it differentiates it." Goddard dep., p. 129. Similarly, respondent's chief executive officer did not believe that confusion was likely.

Q. You don't think that the public is likely to be confused between Shades EQ and EQ Systems?

A. Absolutely not.

Scioscia disc. Dep., p. 42.

Respondent also disagreed with the examining attorney's determination that petitioner's pending application for SHADES EQ and design was confusing similar to respondent's registration for EQ SYSTEM and design. Id. at 35. Furthermore, referring to respondent's logo (Goddard Ex. 25) and petitioner's modernized logo (Goddard Ex. 32), was questioned as follows:

Q. Do they look different to you?

A. Yeah, they ---it's distinctly different.

Scioscia disc. Dep., p. 222.

While the evidence of the parties' testimony on the likelihood of confusion is not conclusive, "[w]e find no warrant, in the statute or elsewhere, for discarding any evidence bearing on he question of likelihood of confusion." Du Pont, 177 USPQ at 568. Similarly, as the businesspeople in the marketplace most directly impacted by confusion, the opinions of these witnesses regarding the unlikelihood of confusion should not be dismissed.

*7 Another factor we consider in this case is the presence or absence of actual confusion. Despite the fact that the parties have been using their respective marks on related goods for more then six years at the time of trial, neither party testifed that there were any instances of actual confustion. {FN5} Scioscia's disc. Dep., p.234; Goddard dep., p. 131; Petitioner's Br. P. 21 ("There has not been any evidence of actual confusion although the marks have been concurrently used"). While the absence of actual confusion does not equate to a finding of no likelihood of confusion, it is one of the factors that we consider in this case when the marks of both parties have co-existed for a number of years. G.H. Mumm & Cie v. Desnoes & Geddes Ltd., 917 F.2d 1292, 16 USPQ2d 1635, 1638 (Fed. Cir. 1990) ("Further, we note that despite over a decade of the marketing by Desnoes of Red Stripe beer in certain of the United States, Mumm was unable to offer any evidence of actual confusion. This too

weighs against a holding of a likelihood of confusion"). "We cannot think of more persuasive evidence that there is no likelihood of confusion between these marks than the fact that they have been simultaneously used for five years without causing any consumers to be confused as to who makes what." Brookfield Communications, Inc., v. West Coast Entertainment Corp., 174 F.3d 1036, 50 USPQ2d 1545, 1555-56 (9th Cir. 1999); Oreck Corp. v. U.S. Floor Systems, Inc., 803 F.2d 166, 231 USPQ 634, 639 (5th Cir. 1986). ("Oreck's inability to point to a single incident of actual confusion [after seventeen months of concurrent use] is highly significant").

The Trademark Act does not speak in terms of remote possibilities of confusion, but rather, the likelihood of confusion occurring in the marketplace. The Federal Circuit has stated that more than a mere possibility of confusion must be shown; instead there must be demonstrated a probability or likelihood of confusion. See Electronic Design & Sales, Inc. v. Electronic Data Systems Corp., 954 F.2d 713, 21 USPQ2d 1388, 1391 (Fed Cir. 1992), quoting Witco Chemical Co. v. Whitefield Chemical Co., 418 F.2d 1403, 164 USPQ43 (CCPA 1969) ("We are not concerned with mere theoretical possibilities of confusion, deception, or mistake or with de minimis situations but with practicalities of the commercial would, with which the trademark deals.").

After considering all the evidence, we come to the conclusion that there is no likelihood of confusion between respondent's mark and petitioner's original and modernized marks. We have carefully considered the fact that at least some of the good of petitioner and respondent overlap and the fact

that petitioner has extensively advertised and promoted its mark. However, there are significant differences between the marks, and, when applied to hair care products, the marks are not unique or arbitrary. In addition, there has been a long period of simultaneous use with actual confusion. Furthermore, the testimony of the parties' witness indicates that confusion, at best, might be possible, but hardly likely. Weighing all the relevant du Pont factors, we conclude that there is no likelihood of confusion in this case.

Other Issues

A. Laches

*8 Respondent has alleged that the petition for cancellation is barred by laches because petitioner was aware of respondent's registration in May of 1994 and it took no action until August of 1997. "The elements of laches are (1) unreasonable delay in assertion of one's rights against another; and (2) material prejudice to the latter attributable to the delay." Lincoln Logs Ltd. v. Lincoln Pre-Cut Log Homes Inc., 971 F.2d 723, 23 USPQ2d 1701, 1703 (Fed .Cir. 1992). Respondent, who has asserted laches as a defense, has the burden of proof. Aquion Partners L.P. v. Enviorgard Products Ltd., 43 USPQ2d 1371, 1373 (TTAB 1997).

We hold that respondent has not met its burden on either element. First, the delay of approximately three years was not, in itself, inexcusable. See Plymouth Cordage Co. v. Solar Nitrogen Chemicals, Inc., 152 USPQ 202, 204 (TTAB 1966) (Three-year delay without more was not sufficient). Moreover, the circumstances demonstrate that the delay was

not unreasonable. In 1994, Redken was acquired by petitioner. Also in 1994, the Redken headquarters in California caused by the merger and the earthquake help to explain an excuse the three-year delay in filing but petition to cancel. Furthermore, the alleged prejudice to respondent is not material. To the extent that petitioner's documents are not available, it is not because of the delay in filing the petition to cancel. They were apparently destroyed in the earthquake. To the extent the respondent chose to destroy its own document after discovering petitioner's potentially conflicting use, it is responsible for its own lack of documents. [FN6] Respondent's Br. P. 27. Finally, respondent's argument that it has spent $30,000 per year in advertising its products (Respondent's Br., p. 28) hardly establishes the material prejudice associated with a successful laches defense. Georgia-Pacific, 204 USPQ at 702 ("Great Plains has shown that sales under its logo in question have grown from $372,000 in 1961 to about $28,000,000 in 1973...Any change in trademark status at this point would be to the prejudice of Great Plains"). [FN7]

Evidentiary Issues

Respondent has objected to, and moved to exclude, the introduction of Petitioner's Maginn Exhibits 13 and 14 and the related testimony in the Maginn deposition (pp.14-31) because the exhibits were not produced in discovery. However, petitioner has maintained that it would have produced the exhibits if respondent signed a protective order. "[T]he Board has recognized that, in inter partes proceedings before the Board, protective orders are most frequently sought in

response to motions to compel where, as here, the matter sought to be discovered assertedly constitutes a trade secret or confidential information which may be held to be discoverable." Johnson Pump/General Valve Inc. v. Chromalloy American Corp., 10 USPQ2d 1671, 1676 n.8 (TTAB 1988) (emphasis in original). See also TBMP § 526:

*9 It is generally inappropriate for a party to respond to a request for discovery by filing a motion attacking it, such as ... motion for a protective order. Rather, the party ordinarily should responded by providing the information sought in those portions of the request which it believes to be proper, and stating its objections to those it believes to be improper.

[A] motion for a protective order ordinarily should be filed in a Board proceeding only in response to a motion to compel where, for example, matter sought to be discovered assertedly constitutes trade secret or confidential information. Inasmuch as respondent did not file a motion to compel, its motion to exclude (as a discovery sanction) is not well taken, and it is, therefore denied.

Finally, respondent's hearsay objection to petitioner's brand name analysis is overruled. The record establishes that the document is a record of a regularly conducted activity that is admissible under Fed.R.Evid. 803 (6).

Decision: The petition to cancel Registration No. 1,790,050 is denied.

FN1. Section 8 affidavit accepted. Respondent has disclaimed the term "system."

FN2. Redken was acquired by Cosmair in 1994. Goddard dep., p. 10 ("Q. When did Cosmair's acquisition of Redken and Redken Brands accur? A. I believe, May of '94.")' Maginn dep., p. 6 (Q. Did there come a time when you learned that Cosmair had acquired Redken and all Redken brands? A. Yes. Q. What is the relationship between Cosmair and Redken? A. Cosmair owns Redken.").

FN3. We reject respondent's argument that the name of the product, "equalizing conditioning color gloss," was a part of petitioner's original mark. The evidence of record shows that the generic language is used in smaller print, and its is clearly separable from the "SHADES EQ" and design" mark.

FN4. We take judicial notice of this dictionary definition. University of Notre Dame du Lac v. J.C. Gourmet Food Imports co., 213 USPQ 594, 596 (TTAB 1982), aff'd 703 F.2d 1372, 217 USPQ 505 (Fed. Cir. 1983).

FN5. Although respondent's registration alleges a date of first use in commerce of July 5, 1990, respondent's CEO's testimony demonstrates that there was no use in commerce until at least several months after that date. Scoscia disc. Dep., p. 96 ("Q. Do you think that it's possible that the date that's here – July 5, 1990- might be a mistake...? A. I'd have to assume that that had to be because I can't right now recall something on July 1990.")' Scioscia dep., p. 46 ("Q. When was the bottle shipped to distributors and beauticians and customers after you received the bottles and filled the bottles? A. The initial ones that came in before the main bulk cam in was probably December or November [of 1990])."

FN6. Respondent's CEO admitted that "without any mental reservation, without anything on the side, had I seen that EQ [petitioner's mark] there, I never would have instituted EQ Systems." Scioscia disc. Dep., p. 29.

FN7. Obviously, because we do not find that there is a likelihood of confusion in this case, petitioner's argument that the laches defense does not apply because confusion is inevitable is not applicable. Petitioner's Reply Br., p. 19.

2001 WL 1457589 (Trademark Tr. & App. Bd.)

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No. 06-1001

FILED
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SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

JEAN ALEXANDER COSMETICS, INC.,

Petitioner,

v.

L'OREAL USA, INC.;
REDKEN 5TH AVENUE, N.Y.C.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED BY PETITIONER

1. Whether the Court of Appeals erred when it held that a party may be collaterally estopped on an issue that the party had neither lost nor had the burden of proving in a prior litigation?

2. Whether the Court of Appeals erred when it ruled that a party may be collaterally estopped by dicta contained in a prior opinion?

3. Whether the Court of Appeals was correct in holding that a party may be collaterally estopped in a trademark infringement case by an earlier determination in a trademark cancellation proceeding when there is a great public interest in a marketplace free of confusion present in the infringement litigation?

4. Whether the Court of Appeals erred when it held that a prevailing party in litigation before the Trademark Trial and Appeal Board may appeal the Board's decision to the Federal Courts in order to excise portions of the Board's opinion that it finds unsatisfactory?

RESPONDENTS' OBJECTIONS TO QUESTIONS PRESENTED

Respondents object to Question 2 in that it mischaracterizes and distorts the opinion and decision of the Court of Appeals. The Court of Appeals determined whether a finding that had been fully litigated and constituted an alternate, but independently sufficient, basis for a judgment should be deemed necessary to a decision for purposes of collateral estoppel.

Respondent objects to Questions 3 inasmuch as the opinion and decision of the Court of Appeals did not address the merits of the case, including whether or not confusion exists.

Respondent objects to Question 4. The opinion of the Court of Appeals merely explained the circumstances under which a prevailing party to a proceeding before the Trademark Trial and Appeal Board may appeal.

STATEMENT PURSUANT TO RULE 29.6

L'Oréal, a société anonyme headquartered in Paris, France, owns 100% of the stock of L'Oréal USA, Inc. which, in turn, has a 100% ownership interest in Redken 5th Avenue, NYC LLC.

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SUMMARY OF ARGUMENT[1]

Petitioner provides no compelling reason for the Court to grant its petition for a writ of certiorari. It does not substantively address any of the traditional reasons for doing so. *See* Sup. Ct. R. 10. Petitioner's brief is no more than a rehash of petitioner's arguments on the merits that present the same positions that have been flatly rejected by every tribunal and court throughout the history of this litigation.

The decision of the Court of Appeals for the Third Circuit is not in conflict with the decision of the Court of Appeals for any other circuit. To the extent the potential exists for a conflict, it is respectfully submitted that this Court need not anticipate one, but should await an actual conflicting decision before exercising its discretion. *See* 9-11, *infra*.

The decision of the Court of Appeals does not decide an important federal question in a way that conflicts with a decision by a state court of last resort. It decides a procedural question under a unique set of facts that expressly limits its holding to federal law, with no effect on how state courts may choose to address the issue.

The decision of the Court of Appeals is wholly consistent with this Court's precedent and does not depart from the accepted and usual course of judicial proceedings. Indeed, the very decisional law upon which petitioner relies refutes

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1. Respondents have not burdened the Court with a restatement of the case but object to petitioner's mischaracterization of the underlying opinion of the Trademark Trial and Appeal Board as an "advisory opinion" or "dicta," and to the explanation of appealability by the Court of Appeals as referring to dissatisfaction "for any reason with the language of the TTAB's opinion." Neither is accurate.

its position. There is no reason, and certainly none cited by petitioner, that calls for an exercise of this Court's supervisory power.

The Court of Appeals properly stated the rule of law. The four-step test upon which it relies for determining when application of the doctrine of issue preclusion (collateral estoppel) is appropriate is the same rule of law articulated by this Court and upon which petitioner relies. The opinion accompanying the decision of the Court of Appeals was comprehensive, thorough and correct. Its application of the doctrine of collateral estoppel was consistent with long-standing precedent, including of this Court. Had it decided otherwise, it would have encouraged parties to litigate as many issues as they could and not be bound by and, therefore, remain free to re-litigate, the decision on any or all of them. Even had the Court of Appeals misapplied a properly stated rule of law, which it did not, that would not compel this Court to grant the petition. *See* Sup. Ct. R. 10.

Petitioner asserts that this Court should grant a writ of certiorari because the decision of the Court of Appeals "represents an extraordinary departure from the doctrine of [collateral estoppel] as it has been enunciated and applied by [this] Court." Petition for Writ of Certiorari ("Pet.") 7. Nowhere in its petition, however, does petitioner identify any decision of this Court that conflicts with that of the Court of Appeals.

Petitioner asserts that this Court never has endorsed the application of collateral estoppel to a party that did not lose or did not have the burden of proof on that issue in the earlier proceeding. Yet, the very precedent on which petitioner relies,

Partmar Corp. v. Paramount Pictures Theatres Corp., 347 U.S. 89 (1954), did just that. Petitioner also asserts that the Court of Appeals gave preclusive effect to dicta — which it argues would be a considerable departure from this Court's precedent — when the focus and expressly stated purpose of the decision was to distinguish from dicta a ground that had been thoroughly litigated and was the subject of a detailed and well reasoned written opinion. In further reliance on *Partmar Corp.*, among other cases, petitioner argues that the Court of Appeals mistakenly held that petitioner could have appealed the finding by the Trademark Trial and Appeal Board that no likelihood of confusion existed despite the fact that it prevailed on that issue. In *Partmar Corp.*, however, this Court held that a party *could* appeal an issue on which it prevailed.

Petitioner then argues that the Court of Appeals erred in not considering the public policy behind the avoidance of confusion in the marketplace. It makes that argument despite the Trademark Trial and Appeal Board's finding that there is no likelihood of confusion. Moreover, the matter came to the Court of Appeals from the grant of a motion under Rule 12(b)(6) of the Federal Rules of Civil Procedure. There were no independent findings of fact by the district court. It is difficult to see how such an argument may be made at this time or how it addresses any of the considerations contained in Rule 10 of this Court's rules governing review on certiorari.

This would be a uniquely poor case over which to exercise the Court's supervisory authority. The facts make it crystal clear that the lower tribunal carefully considered and analyzed alternative, independently sufficient bases for its decision, each integral to the case and fully litigated by the

parties. The law is inextricably interwoven with the doctrine of *judicial estoppel*, which was briefed by the parties but not reached by the district court or the Court of Appeals. It would be difficult for this Court to set any clear precedent that would not be severely limited to its facts.

ARGUMENT

Question 1

The Court of Appeals properly stated the rule of law. The application of collateral estoppel requires satisfaction of four requirements: (1) the identical issue was previously adjudicated; (2) the issue was actually litigated; (3) the previous determination was necessary to the decision; and (4) the party being precluded from relitigating the issue was fully represented in the prior action. *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209 (3d Cir. 2001), and *Sebrowski v. Pittsburgh Press Co.*, 188 F.3d 163, 169 (3d Cir. 1999) (also considering whether the party being precluded "had a full and fair opportunity to litigate the issue in question in the prior action").

Petitioner, citing *Montana v. United States*, 440 U.S. 147, 153-55 (1979), does not argue that the Court of Appeals misstated the rule of law. Pet. 10. Instead, it conflates the fourth requirement with having the burden of proof and argues that a party cannot be collaterally estopped from litigating an issue where it neither lost on that issue nor where it did not have the burden of proving that issue in the earlier litigation. Pet. 7. Petitioner further argues that a party without the burden of proof does not receive a full and fair opportunity to litigate the issue. It then urges that the Court of Appeals' holding to the contrary is "completely contrary to all existing

Supreme Court precedent . . . ," although it fails to cite any such precedent. Pet. 8, 10. With respect to losing in the prior litigation,[2] petitioner states, "[t]here are no cases in Supreme Court jurisprudence where collateral estoppel is held to preclude a party from litigating an issue that its *opponent* in prior litigation lost." Pet. 9 (emphasis in original). Petitioner misstates the law with respect to each element of its argument.

There is no basis — factual or legal — for petitioner's assertion that a party defending a claim does not have the opportunity fully and fairly to litigate that claim. What greater incentive could there be for a trademark owner to defend a cancellation proceeding than to know that if it loses its trademark registration will be cancelled? Although petitioner did not have the burden of proof on the issue of likelihood of confusion, it was represented by counsel and fully litigated that issue in the cancellation proceeding in which it "filed its answer denying the allegations of priority and likelihood of confusion between the marks . . . , participated in discovery, cross-examined [respondents'] witnesses, submitted trial evidence, briefed the case on the merits, and attended an oral hearing before the Board."[3] Petitioner's Appendix ("Pet. App.") 56a; *see also* Pet. App. 16a ("There

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2. Petitioner confuses its own inability to find authority in which a party without the burden of proof on an issue subsequently is collaterally estopped from relitigating that issue with a rule of law that would require a party to have the burden of proof before it can be collaterally estopped.

3. Nothing prohibited petitioner from admitting that likelihood of confusion existed and defending solely on the ground of priority. Instead, it vigorously litigated the issue of likelihood of confusion for four years, even going so far as to assert it as an affirmative defense.

is no question that likelihood of confusion was a central issue in the cancellation proceedings. It was the focus of the parties' pleadings and had been litigated extensively over the course of four years.").

There is no bar to applying collateral estoppel to a party that did not have the burden of proof. Petitioner confuses the opportunity to litigate an issue (here, it was fully litigated) with having the burden of proof on that issue. For example, under the doctrine of "offensive collateral estoppel," the application of which under appropriate circumstances was approved by this Court in *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979), estoppel may be applied by a plaintiff who prevailed in an earlier action against a *defendant* (or its privy) who lost in that action. 439 U.S. at 329. In such cases, collateral estoppel will be applied where the party that originally lost on an issue did not have the burden of proof.

Petitioner's assertion that this Court has never approved the application of collateral estoppel against a party that prevailed in the earlier action (or, as petitioner states, where the party's opponent lost in the earlier action) also misstates the law. *See Partmar Corp. v. Paramount Pictures Theatres Corp.*, 347 U.S. 89 (1954). There, Paramount leased a theatre to and entered into a film franchise agreement with Partmar in California. *Id.* at 92. Subsequently, a decree was entered by the Southern District of New York against Paramount and other motion picture companies enjoining as violations of the Sherman Act further performance by Paramount of any existing franchise agreement. *Id.* at 93. Paramount terminated the franchise agreement with Partmar because of the injunction which, in turn, terminated the lease. Paramount then commenced an action against Partmar, which had refused to leave the premises, to recover possession of the

theatre (claiming that the illegality of the franchise agreement permitted it to terminate both agreements). *Id.*

Partmar answered by asserting various defenses and, as pertinent to petitioner's argument, by bringing antitrust counterclaims alleging a conspiracy between Paramount and other motion picture companies (which resulted in the imposition of excessive terms and conditions in the lease and franchise agreement). *Id.* at 93-94. The court ordered that Paramount's causes of action and Partmar's counterclaims be tried separately. *Id.* at 94-95. Prior to trial, this Court set aside the Southern District of New York's decree concerning the illegality of the franchise agreements. *Id.* at 95.

The trial proceeded with Paramount in the anomalous position of having to prove that its agreements were illegal in order for it to prevail on its claims. *Id.* Partmar contended at trial that the lease and franchise agreements did not violate the Sherman Act. *Id.* at 96. The court agreed. *Id.* at 97. The court also determined, however, that Partmar could not recover on its counterclaims and dismissed those claims with prejudice. *Id.* at 97-98. Partmar appealed the dismissal of the counterclaims, but not the judgment on Paramount's claims. *Id.* at 99.

On review on certiorari, this Court addressed the question of whether the dismissal of the counterclaims was proper. *Id.* at 91. The Court held that because the issue of whether Paramount had violated the Sherman Act as a result of entering into the franchise agreement had been litigated and decided in the action on Paramount's claims, Partmar would have been collaterally estopped from relitigating that issue in a later proceeding and, therefore, dismissal of Partmar's

counterclaims was not improper. *Id.* at 100-01. Thus, this Court upheld the application of collateral estoppel in a situation where the party against whom collateral estoppel was to be applied neither had the burden of proof nor lost in the earlier litigation. Here, the decision of the Court of Appeals giving collateral estoppel effect to the Trademark Trial and Appeal Board's decision on the issue of likelihood of confusion was not inconsistent with this Court's precedent.

Question 2

The decision of the Court of Appeals and accompanying opinion took great pains to distinguish an alternative, independently sufficient ground for a decision from mere dicta. Petitioner ignores that important distinction, conveniently labels a portion of the Court of Appeals' opinion as "dicta" and makes such arguments as "[t]he Court of Appeals directs the litigants and the courts to glean from the dicta in prior opinions whether an issue was 'carefully considered' by the court in the prior litigation," and "the Third Circuit ... now holds that dicta may serve as the basis for collateral estoppel." Pet 17.[4] Petitioner concludes by stating that this Court's intervention is necessary "to square the Third Circuit's interpretation of the 'necessary' prong of the *Montana* test with the other circuits." Pet. 19. Again, petitioner misstates and mischaracterizes the Court of Appeals' decision.

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4. Petitioner's position is no different from arguing that the order in which statements appear in a court's opinion determines what is dicta. Had the opinion of the Trademark Trial and Appeal Board addressed likelihood of confusion before addressing priority, would that fortuitous event alone have determined what is binding and what is dicta?

Contrary to petitioner's assertions, the Court of Appeals was clear that the very purpose of the "necessity" requirement is to *prevent* dicta from being given preclusive effect: "[t]he necessity requirement also ensures that preclusive effect is not given to determinations that did not 'receive close judicial attention . . . or that were unappealable by virtue of being incidental to a decision." Pet. App. 15a. The Trademark Trial and Appeal Board's decision regarding the likelihood of confusion did not raise any concerns about dicta because "likelihood of confusion was an important issue in the case and, in fact, [the TTAB] intended its determination that there was no likelihood of confusion to be controlling if its holding on priority were overturned on appeal." Pet. App. 16a. Thus, the question before the court was never whether dicta should be given preclusive effect — clearly it should not — but "whether a finding that is an alternate, but independently sufficient, basis for a judgment should be deemed necessary to a decision for the purposes of collateral estoppel." Pet. App. 16a-17a. The Court of Appeals, observing that "[c]ourts routinely decide cases on multiple grounds, each of which has been fully litigated and given careful consideration due to their potentially dispositive role in the case," held that the interests served by the "necessity" requirement are not compromised by giving preclusive effect to alternative holdings and, therefore, such alternative holdings may form the bases for collateral estoppel. Pet. App. 22a, 26a.

In making that decision, the Court of Appeals for the Third Circuit joined the Second, Seventh, Ninth and Eleventh circuits in deciding that preclusive effect should be given to alternative holdings. Pet. App. 18a. The Fourth, Fifth and District of Columbia circuits each have recognized that giving preclusive effect to alternative holdings is appropriate under

suitable circumstances. Pet. App. 19a; *Yamaha Corp. of Am. v. United States*, 961 F.2d 245, 255 (D.C. Cir. 1992). Here, the Court of Appeals for the Third Circuit cited to cases from the Tenth and Federal Circuits indicating that it did not believe that those circuits would give preclusive effect to alternative holdings. Pet. App. 19a. In the cited Federal Circuit case, however, the court did not adopt a general rule against applying collateral estoppel to alternative holdings, but merely held that whether estoppel should apply would depend on the facts of the case. *Comair Rotron, Inc. v. Nippon Densan Corp.*, 49 F.3d 1535, 1539 (Fed. Cir. 1995). It declined to apply collateral estoppel to an alternative holding in that case because the issue underlying that holding had not been fully litigated. *Id.* at 1539-40 (Rader, J., concurring) (discussing background of the earlier litigation that was the subject of the collateral estoppel argument to illustrate that the holding at issue had not been fully litigated). Although in the cited Tenth Circuit case the court declined to invoke collateral estoppel based on the alternative holdings before it, it did so without analysis of the competing doctrines. *Turney v. O'Toole*, 898 F.2d 1470, 1472 n.1 (10th Cir. 1990). Thus, it is not clear at all that the Tenth Circuit would refuse to give preclusive effect to alternative holdings in all circumstances. It is respectfully submitted that this Court should await the outcome of a decision by that single circuit once it confronts that issue rather than predict that there will be a split, albeit a very shallow one at best.

Petitioner cites to a single decision of the Federal Circuit, *Hill-Rom Co. v. Kinetic Concepts, Inc.*, 209 F.3d 1337 (Fed. Cir. 2000), in an effort to support its position. *Hill-Rom Co.*, however, is consistent with the Third Circuit's decision. In *Hill-Rom Co.*, the accused patent infringer asserted patent invalidity as an affirmative defense, but not as a counterclaim.

Id. at 1340. After a trial, the court held that the defendant's products did not infringe the patent. *Id.* The court also rejected the affirmative defense of invalidity, but made no reference to that defense in its final judgment. *Id.*

On appeal, the defendant argued that if the court were to uphold the judgment of non-infringement, it should vacate the portion of the judgment relating to validity of the patent. *Id.* at 1344. The Federal Circuit reaffirmed the general rule that a district court may resolve the issue of invalidity even where the court finds that the patent is not infringed, *id.*, which is *consistent* with the decision of the Third Circuit. The Federal Circuit, however, went on to say that there was no need for it to address the validity issue because that issue was not addressed in the lower court's judgment and, therefore, would not have collateral estoppel effect in future litigation. *Id.* Here, in stark contrast, determination by the Trademark Trial and Appeal Board that there was no likelihood of confusion was a significant part of that tribunal's judgment.

Question 3

Petitioner asserts that by precluding petitioner from litigating the issue of likelihood of confusion, the Court of Appeals "departed from the long held principal [sic] that collateral estoppel or issue preclusion will not apply where application of the doctrine would harm a public interest." Pet. 19. Contrary to petitioner's assertion, it already had litigated the likelihood of confusion issue, resulting in a finding that there was none. There was "no question that likelihood of confusion was a central issue in the cancellation proceedings," Pet. App. 16a, and that petitioner fully participated in those proceedings, Pet. App. 56a ("In the

earlier action, [petitioner] filed its answer denying the allegations of priority and likelihood of confusion between the marks . . . , participated in discovery, cross-examined Cosmair's witnesses, submitted trial evidence, briefed the case on the merits, and attended an oral hearing before the Board."). Petitioner could have admitted likelihood of confusion and litigated the issue of priority only. Fully represented by counsel, it vigorously defended the likelihood of confusion allegation and went so far as to raise an affirmative defense of no likelihood of confusion. The Trademark Trial and Appeal Board held that there was no likelihood of confusion. The Court of Appeals affirmed a dismissal based on collateral estoppel. There was no record that the application of collateral estoppel would harm a public interest.[5] Petitioner's assertion is without factual support and misstates the record.

Question 4

Petitioner argues that the Third Circuit was mistaken when it held that petitioner could have appealed the Trademark Trial and Appeal Board's ruling on likelihood of confusion despite the fact that petitioner prevailed on that issue. As a threshold matter, that is not a proper issue inasmuch as nowhere does petitioner allege that it attempted to appeal but was not permitted to do so.

In all events, petitioner is mistaken when it asserts that it could not have appealed. Petitioner cites *Partmar Corp.*, addressed above, for the proposition that "findings such as the TTAB's findings respecting likelihood of confusion in

5. Based on the Trademark Trial and Appeal Board's decision, the only supportable public interest argument is the one that favors competition.

the instant case, do not form the basis for the application of estoppel." Pet. 22. *Partmar Corp.*, however, supports a contrary conclusion. As noted, Partmar, after prevailing on the issue of the legality of its franchise agreement with Paramount, appealed the court's decision to dismiss its antitrust counterclaims, but did not appeal the court's ruling on the issue of the legality of its agreements. Because Partmar was precluded from relitigating the legality issue, the court's dismissal of its counterclaims was proper.

After addressing Partmar's decision not to appeal the legality of the franchise agreement, this Court stated, "[w]hile Partmar did not appeal, it might have." *Partmar Corp.*, 347 U.S. at 100 n.6. Appealability, as this Court explained, does not turn on whether or not the appealing party prevailed, but on whether the finding was necessary to the judgment such that collateral estoppel would apply. The Trademark Trial and Appeal Board analyzed the issues of likelihood of confusion and priority. Its judgment, based on those grounds, dismissed the petition to cancel. Those alternative, independently sufficient grounds for the decision are each entitled to preclusive effect.

Moreover, under that tribunal's rules, "any 'party to a [TTAB] proceeding who is dissatisfied with the decision of the board' may appeal. *Trademark Trial and Appeal Board Manual of Procedure* § 901.01 (2d ed. 2004)." Pet. App. 28a. That rule does not invite an appeal to "excise portions" of an opinion or to appeal "dicta or precatory language." It allows a party who is "dissatisfied with the decision" to appeal.

CONCLUSION

For the foregoing reasons, respondents respectfully request that the petition for a writ of certiorari be denied in its entirety.

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